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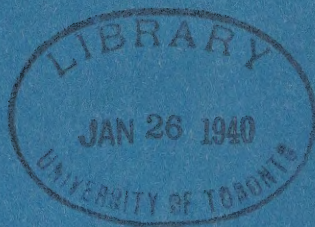
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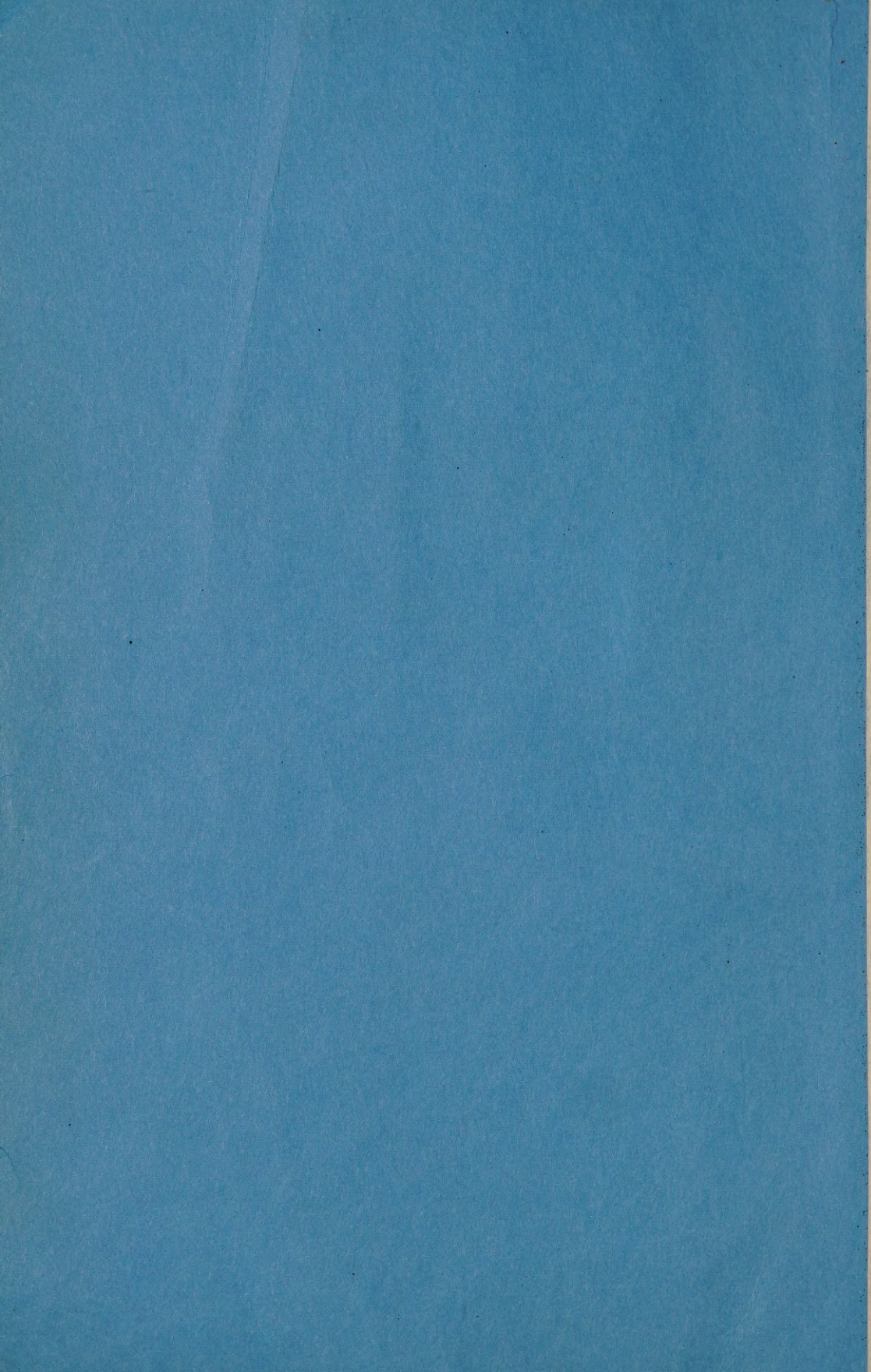
REPORT
OF THE
ROYAL GRAIN INQUIRY
COMMISSION

1938



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(DOMINION OF CANADA)

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ROYAL GRAIN INQUIRY COMMISSION
1938

Hon. Mr. JUSTICE W. F. A. TURGEON
Commissioner

T. W. GRINDLEY, Ph.D.,
Secretary.

R. H. FOSTER, Esq.,
Assistant Secretary.

Commission Counsel:

Hon. J. L. RALSTON, P.C., K.C.

J. E. COYNE, Esq.

ROYAL GRAIN INQUIRY COMMISSION


OTTAWA, ONTARIO, May 4, 1938.

The Hon. W. D. EULER,
Minister of Trade and Commerce,
Ottawa.

DEAR SIR,—I have the honour to hand you herewith the report of the Royal Grain Inquiry Commission, pursuant to the Order in Council of 27th June, 1936, P.C. 1577, a copy of which is attached hereto.

Your obedient servant,

W. F. A. TURGEON,
Commissioner.



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P.C. 1577

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 27th June, 1936.

The Committee of the Privy Council have had before them a report from the Acting Minister of Trade and Commerce, stating that the various problems pertaining to the production and marketing of Canadian Wheat and other grains have been engaging the earnest consideration of the Sub-Committee of the Privy Council, consisting of the Minister of Agriculture, the Minister of the Interior, the Minister of Finance and the Minister of Trade and Commerce, which Sub-Committee was authorized to examine and advise upon such matters; that the Sub-Committee has taken cognizance of the discussions upon the subject in the House of Commons and has come to the conclusion that it would be to the public advantage that an enquiry be made into all the matters involved.

The Minister, therefore, recommends that The Honourable William Ferdinand Alphonse Turgeon, of Regina, Saskatchewan, a Judge of the Court of Appeal of Saskatchewan, be appointed a Commissioner under Part 1 of The Enquiries Act, being Chapter 99 of the Revised Statutes of Canada, 1927, to enquire into and to report upon the subject of the production, buying, selling, holding, storing, transporting and exporting of Canadian Grains and Grain Products, and other questions incident to such matters, and in particular, but without restricting the generality of the foregoing terms, to enquire into and to report upon:

1. The methods now or heretofore employed in marketing Canadian Grains abroad, including Government Grain Boards, co-operative or pool marketing, price stabilization measures and the open market or competitive method; and the effect of these various methods upon markets.
2. All transactions since the year 1930 pertaining to the handling of grain for relief and seeding purposes in the Provinces of Manitoba, Saskatchewan and Alberta under the Dominion Government guarantee, or otherwise.
3. The extent, if any, to which the Canadian Wheat Board protected speculative short interests in the Winnipeg Wheat Market in December, 1935, immediately following the higher price fixed by the Argentine Government for Argentine wheat; and the effect, whether beneficial or harmful, of any such action taken by the Board.

4. The effect of the practice of mixing and of the selection of grain for protein content by millers and exporters.
5. The causes of the decrease in Canadian Grain exports in recent years.
6. The measures which should be taken to retain and to extend the marketing throughout the world of Canadian Wheat and other grains and their products.

The Minister further recommends that for the purpose of making such inquiry the Commissioner shall have the special authority specified under Part 3 of The Enquiries Act aforesaid.

The Minister further recommends that the Commissioner be instructed to make his Report as speedily as possible.

The Committee concur in the foregoing recommendations and submit the same for approval.

(Sgd.) E. J. LEMAIRE,

Clerk of the Privy Council.

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REPORT OF THE COMMISSION

INTRODUCTION

On June 27, 1936, I was appointed by an Order of His Excellency the Governor General in Council a Commissioner under Part 1 of The Enquiries Act to inquire into and to report upon the subject of "the production, buying, selling, holding, storing, transporting and exporting of Canadian grain and grain products and other questions incident to such matters." The Order in Council provided that, in particular and without limiting the general scope of the inquiry, I was to devote my attention to the following subjects specifically set out and defined:

1. The methods now or heretofore employed in marketing Canadian Grains abroad, including Government Grain Boards, co-operative or pool marketing, price stabilization measures and the open market or competitive method; and the effect of these various methods upon markets.
2. All transactions since the year 1930 pertaining to the handling of grain for relief and seeding purposes in the Provinces of Manitoba, Saskatchewan and Alberta under the Dominion Government guarantee, or otherwise.
3. The extent, if any, to which the Canadian Wheat Board protected speculative short interests in the Winnipeg Wheat Market in December 1935, immediately following the higher price fixed by the Argentine Government for Argentine wheat; and the effect, whether beneficial or harmful, of any such action taken by the Board.
4. The effect of the practice of mixing and of the selection of grain for protein content by millers and exporters.
5. The causes of the decrease in Canadian Grain exports in recent years.
6. The measures which should be taken to retain and to extend the marketing throughout the world of Canadian Wheat and other grains and their products.

ORIGIN OF THE INQUIRY

The origin of the inquiry is to be found in a report of a special committee of the House of Commons concurred in by the House on June 17, 1936. This report, after dealing with the matters which had been specifically referred to the committee, concluded with the following recommendation:

"The committee further gave general consideration to the whole problem of the production and marketing of Canadian wheat and other facts pertaining to the wheat problem. Because of the gravity of this problem, and because your committee has neither the time nor the facilities to make a comprehensive survey of the situation, we recommend the appointment by the government of a Royal Commission to make a complete survey of the production, grading and distribution of Canadian grain, including the methods of marketing by,—

- (a) the producers themselves through co-operative and stabilizing effort;
- (b) the agency of a government wheat board and the powers such a board should possess;
- (c) the open market or competitive method; and, further, to inquire into the general effect of mixing, if any, and of selection for protein content by millers and exporters.

"This would involve not only a full examination into the methods referred to above, but also into the conditions which obtain in world markets; what effect, if any, these methods have had upon European purchasers, and, generally, what measures should be taken to retain and enlarge markets for Canadian wheat, and products of wheat and other grains, throughout the world."

The report of the committee, adopted without dissent, also recommended that certain specific questions upon which it had taken evidence should be referred to the proposed Royal Commission for further inquiry and report. The Order in Council, in defining the subject matter of this inquiry, embraces all the matters into which it was deemed expedient by the committee and by the House of Commons that inquiry should be made.

During the last forty years the grain trade of Canada has been investigated many times at the instance of both Dominion and Provincial governments. These various inquiries have been more or less broad in their scope. Thus the commission appointed by the Government of Canada in 1923 was instructed to inquire into "the subject of the handling and marketing of grain in Canada and other questions incident to the buying, selling and transportation of grain." The task of the Saskatchewan Commission of 1928 was to inquire into "the subject of the grading, mixing, handling and marketing of grain." The inquiry instituted by the Government of Canada in 1931 was confined to one subject, but a most important one; the commission was instructed "to inquire into and report upon what effect, if any, the dealing in grain futures has upon the price received by the farmer."

On the present occasion the scope of the inquiry has been made considerably wider than on past occasions, because, besides some of the old problems which now demand reconsideration, other problems have presented themselves in recent years which affect in a vital manner the posi-

tion of Canadian grain in export markets and consequently the production of grain, and especially of wheat, in Canada. This appears from a perusal of the report of the Committee of the House of Commons and is indicated specifically in paragraphs 5 and 6 in the Order in Council. Reference is made to "the gravity of the problem" and notice is taken of a decrease in Canadian grain exports in recent years and of the advisability of efforts being made to retain and to extend our markets. This involves a study of the causes of the decrease and of the measures which appear best fitted to better our position for the future.

THE INTERESTS CONCERNED

The subject matter of the inquiry is not only of first importance to the economic life of Canada, but it is also of great magnitude, being made up of many inter-related problems of which some are of a controversial character. The outstanding interest concerned is, of course, that of the producer of grain; but many other interests also exist along the course of the process whereby the primary product is removed from the farm in Canada to the mill in Great Britain and in other overseas countries. The privilege of having counsel at the sittings of the commission was therefore extended to all those whose interests were affected by the inquiry. In addition, I had the great advantage of the assistance of counsel appointed as counsel to the commission.

PROCEDURE

A great number of witnesses appeared before me. Sittings were held in Canada at Winnipeg, Saskatoon, Regina, Edmonton, Calgary, Vancouver and Ottawa, and, with the consent of those concerned, at London, Liverpool, Glasgow, Paris, Brussels, Antwerp, Rotterdam and Chicago. In all, 122 days were devoted to these sittings, 260 witnesses were heard and 715 exhibits filed. The period between the issuing of the Commission and the submission of this report has been somewhat protracted by reason of the fact that, during most of it, I was engaged, also as sole commissioner, upon an inquiry into the textile industry of Canada, which took up 135 days of public sittings besides the time necessary to compile the report which was submitted to the government on January 20th, 1938.

COUNSEL

The following counsel took part in the proceedings:

Hon. J. L. Ralston, P.C., K.C., Montreal, Commission Counsel,
 Jas. E. Coyne, Winnipeg, Assistant Commission Counsel,
 Isaac Pitblado, K.C., Winnipeg, Winnipeg Grain Exchange,
 A. E. Hoskin, K.C., Winnipeg, Winnipeg Grain Exchange,
 L. W. Brockington, K.C., Winnipeg, North West Grain Dealers' Association,

E. K. Williams, K.C., Winnipeg, Manitoba Pool Elevators Ltd.,
 M. A. MacPherson, K.C., Regina, Saskatchewan Pool Elevators Ltd.,
 R. H. Milliken, K.C., Regina, Saskatchewan Pool Elevators Ltd.,
 M. M. Porter, K.C., Calgary, Alberta Pool Elevators Ltd.,
 Hugh Phillipps, K.C., Winnipeg, Terminal Elevators,
 C. K. Tallin, Esq., Winnipeg, Terminal Elevators,
 J. T. Thorson, K.C., M.P., Winnipeg, United Grain Growers Ltd.,
 Hon. J. E. Brownlee, K.C., Edmonton, United Grain Growers Ltd.,
 P. G. Hodges, K.C., Regina, Province of Saskatchewan,
 W. C. Hamilton, K.C., Winnipeg, Dominion of Canada,
 W. J. Lindal, K.C., Winnipeg, Board of Grain Commissioners for
 Canada,
 E. F. Haffner, K.C., Winnipeg, McCabe Grain Co.,
 Boyd McBride, Edmonton, Edmonton Chamber of Commerce,
 George H. Barr, K.C., Regina, Representing a Group of Regina Dis-
 trict Farmers,
 Walter B. Caswell, Saskatoon, Citizens' Wheat Board & Price League,
 W. Martin Griffen, K.C., Vancouver, Vancouver Merchants Exchange
 & Vancouver Board of Trade.

CHAPTER I

THE WHEAT GROWING AREA

It will be well, I think, to begin the survey called for by the terms of the Commission by describing briefly the area of Canada which produces our principal export commodity (wheat), and by reviewing the history of this area in relation to this production.

The three provinces of Manitoba, Saskatchewan and Alberta have a total land area of 452,158,720 acres, of which it is estimated that nearly 170,000,000 acres can be used for agricultural purposes.¹

UTILIZATION OF LAND ACREAGE IN WESTERN CANADA, 1936

No. of Occupied Farms.....	300,523	
Total Occupied Area.....	113,112,500	Acres
Total Improved Area.....	60,849,957	"
Area in Field Crops.....	40,194,581	"
Area in Wheat.....	24,837,824	"

Source: Census of 1936

The agricultural area is bordered on the East by the physical barrier of the Ontario Clay Belt, on the West by the Rocky Mountains, on the South, by the political line of the United States boundary, and on the North by the seemingly elastic border of a territory with an unfavourable agricultural climate. East and West, along the international boundary, there is a length of 800 miles from the Clay Belt to the Mountains, but the breadth of the area is narrowed on the northeast by the extension of the Laurentian Plateau. Thus the arable belt assumes a somewhat triangular shape, with the western side running for more than 500 miles along the foot of the Rocky Mountains and, making about a 35-degree angle in the Peace River District for the third side, running southeast to the southeastern corner of Manitoba. This third side runs for a length of about 1,000 miles to complete the boundary of agricultural production at the present time.

The wheat area is thus isolated from the rest of Canada by a thousand miles of thinly populated land on the east and by five hundred miles of mountain barriers on the west. While this inland, physical, isolation remains as an impediment, the development of lake and rail transportation has greatly reduced the economic disadvantages of a country compelled to export a specialized crop. The network of railway lines in the West pictures surprisingly well the Canadian wheat triangle. Ready access to the Great Lakes, and to the Pacific ports and to Churchill on Hudson's Bay has helped to offset the disadvantages of Western Canada's geographical position.

¹ "Natural Resources of the Prairie Provinces."
Publication of the Department of Interior, Canada.

MILEAGE FROM WESTERN CANADA POINTS TO THE VARIOUS PORTS

From	To			
	Vancouver	Fort William	Montreal	Churchill
Calgary.....	642	1,267	2,190	1,190
Edmonton.....	769	1,253	2,163	1,159
Regina.....	1,108	783	1,780	825
Saskatoon.....	1,095	932	1,862	790
Winnipeg.....	1,405	419	1,423	950

There are two rather large and well-defined regions of the West—the southern, short-grass plains and the park belt, a transition of mixed prairie and tree land. A smaller area is the forest zone. Within these major regions, the soils are by no means uniform.

DEVELOPMENT OF WHEAT ACREAGE

Wheat has held the major place in the economy of Western Canada throughout this Century. In 1900, 44·6 per cent of the improved land was in wheat; in 1936 this percentage had been lowered only slightly to 40·8 per cent. Other field crops formed 19·8 per cent of the improved land in 1900 and 25·2 per cent in 1936. There has been a tendency toward diversification in Manitoba, in the northern park belt of Alberta and Saskatchewan and in the irrigated areas of southern Alberta, but elsewhere wheat has held its important place in the farm economy. In 1900, the wheat acreage was 2,495,474; in 1936 it was 24,837,824, both census figures. The other grain crops, oats, barley, rye and flaxseed together comprise little more than half the acreage sown to wheat.

The production and export of wheat rose steadily from 1908 (when the compilation of annual statistics began) until 1928. During the same period, there was an increase in the quantity used for domestic purposes in Canada as flour, feed and seed. In this period, the population of Canada increased from about 7 to 10 million, all classes of live stock and poultry numbers increased significantly and the quantities necessary for seed rose with the increase in wheat acreage. The exportable surpluses rose even more quickly until over 400 million bushels of wheat and wheat flour were exported in the crop year 1928-29. Since that date there have been only two crops of normal size (1930 and 1932) and exports have fallen accordingly.

Within this 20th century, Canada has progressed from modest beginnings in wheat production to a position of being the largest factor in the wheat export trade of the world. This position has brought with it naturally a dependence on export markets and on prices in those markets.

EARLY HISTORY

The earliest attempts to grow wheat in western Canada date from the trials of the Selkirk settlers in the region near where Winnipeg now stands, about 1813. The first crops of 1813 and 1814 were failures, but

that of 1815 was a limited success. The troubles of these early colonists were almost insuperable. Apart from climatic difficulties, grasshoppers, locusts, passenger pigeons and mice exacted their toll from the small yields. A reference to troublesome weeds at this time shows the birth of a present-day pest. When locusts had destroyed the crops of 1818 and 1819, there was no seed wheat in the colony and a supply had to be brought from Prairie du Chien, Wisconsin. With this shipment came stinkweed, and later seed importations from Minnesota brought other noxious weeds. Discouraged by floods and locusts a number of the Selkirk colonists moved up the river to Pembina in 1818 and there was another exodus in 1819. Pembina was vacated in 1822 because it was found to be on American territory and settlement there retarded the further growth of St. Boniface. Another flood in 1826 caused a great emigration, particularly of Swiss settlers, to Minnesota. Lower Fort Garry was built in 1830 and the Fort Garry begun in 1835 was the future Winnipeg.

At this time, two wagon trails—the Red River or plains trail, and the Sauk, or woods trail—formed the communication with the outside world. The latter of these was to be the path of the St. Paul and Pacific Railway, begun in 1862, bankrupt in 1873, purchased by Canadian financiers from the Dutch bondholders in 1876, and reorganized under James J. Hill as the St. Paul, Minneapolis and Manitoba in 1879. In 1889, this road became the Great Northern.

The first recorded shipment of wheat from western Canada took place in 1876. Amounting to 807 bushels and sold for 85 cents per bushel, it went out in sacks by boats up the Red River to the Northern Pacific lines, which conveyed it to Ontario.

The introduction of "Red Fife" wheat from Ontario about 1870 marked a real advance in western grain-growing. Much of the previous discouragement had arisen from the lack of suitable varieties.

In 1878, the St. Paul Railway entered Winnipeg and from this date on the economic history of western Canada is written in terms of settlement, railway building, breaking of new land and wheat production. It was the peculiar and natural adaptation of wheat to the climatic and soil conditions of the West that engendered this growth. This fitness of wheat became even more apparent with the advances in plant breeding and cultural investigation.

The development of western Canada in the past sixty years may be divided into three periods. The first of these began with the active building of the Canadian Pacific Railway about 1882; the second, with railway extension and immigration influx about 1903; and the third in 1924 at the conclusion of the economic depression and unfavourable weather conditions that followed the Great War.

THE PERIOD 1882 TO 1902

The building of the Canadian Pacific Railway started in 1882-83, was hindered by financial difficulties and the Riel Rebellion, but was completed to the Coast in 1885. It tapped the southern, short-grass plains, which were easily broken up for wheat production. Settlement in this period came mainly from eastern Canada and Great Britain, and spread westward from the Red River Valley of Manitoba into Saskatchewan and along the fertile banks of the Souris, Qu'Appelle and Assiniboine Rivers. The development of this period was not as great nor as prolonged as that which began early in the present century. There were several reasons for this, including the counter-attraction provided by cheap lands in the western United States, the lack of land surveys and the comparatively slight encouragement to immigration. About the year 1895, the first period of western development came to an end.

THE PERIOD 1903 TO 1918

The second period of rapid development began with a great inrush of immigration in 1903 which showed a fairly steady increase to a peak in 1913. In the early years of the century, Manitoba continued to fill up at a rapid rate and settlement extended northward into the park lands of Saskatchewan and Alberta. The main line of the Canadian Pacific and its few branch lines served the settled portion of the West until the oncoming of the accelerated immigration about 1903. Then more railway accommodation became necessary. About this time Messrs. Mackenzie and Mann began the building and acquiring of lines in the north and central regions of the West, which by 1905 stretched from Edmonton in Alberta to the Head of the Great Lakes in the east, and from Lake Winnipegosis to the United States line, and extended into St. Paul by the Northern Pacific. The building of the Grand Trunk Pacific also began about 1903. An increase in wheat production followed closely upon railway building and new immigration, and a fairly close relation is found between these three elements in the growth of the West.

The outbreak of the War in 1914 ended the rapid development in settlement and transportation of the previous decade, but the patriotic appeal for increased wheat acreage met with ready response. The first crop seeded after the War was declared covered over $3\frac{1}{2}$ million acres more than that of 1914, and the crop of 1918 was $5\frac{1}{2}$ million acres more, an increase of over 50 per cent. This was mainly accomplished by breaking new land and by some trespassing upon the coarse grain acreage. During this period new agricultural development was most evident in the northern sections of the Prairie Provinces, particularly in the Peace River District.

THE POST-WAR PERIOD

The wheat acreage continued to expand until 1921. The years 1918-21 offered little in the way of encouraging weather to the wheat farmer, but while the prices remained high, they compensated for the low physical yield. When wheat prices fell in 1920 and 1921 many of the marginal lands were returned to their pre-war uses. Land settlement and railway construction continued as important factors. The Soldiers' Settlement Board and the Canada Colonization Association did much to encourage the resumption of immigration, especially in 1920 and 1921. After a slump in 1922 and 1923, immigration continued on a moderate scale until the depression arrived in 1929. The government began its control of the Canadian Northern and Grand Trunk Pacific Railways and the Hudson Bay Railway was pressed to completion.

Immigration was resumed in moderate numbers in 1924 and continued up to 1929. Since that date, it has been an insignificant factor in western development. The growth of population has also slackened. Between the census periods, 1901 and 1936, the population of Manitoba rose from 255,211 to 711,216; Saskatchewan from 91,279 to 930,893; Alberta from 73,022 to 772,782, and the three provinces from 419,512 to 2,414,891. The rate of increase has slowed notably in the past five years; Alberta's population is now increasing the fastest, Manitoba's being almost stationary.

Wheat acreage had declined to a level of 19,759,648 acres in 1925, but then began a steady rise to a peak of 26,395,000 acres in 1932. With low prices prevailing there were declines in 1933, 1934 and 1935, an increase in 1936 and a slight decline in 1937 to 24,599,000 acres. It is evident that the low depression prices had only a slight and temporary effect in reducing western wheat acreage.

CHAPTER II

HISTORICAL SURVEY OF THE ECONOMIC POSITION OF AGRICULTURE IN WESTERN CANADA

Chapter one has described briefly the factors responsible for the initiation and growth of grain-farming in the West. These may be listed as the natural adaptation of such crops to climatic, soil and economic conditions and the plentiful and cheap supply of fertile, easily-broken land. Effective precipitation is usually well concentrated in the grain growing season. Under pioneer conditions, with land cheap and labour dear, the cultivation of wheat and other grains was naturally resorted to. As settlement progressed, railway lines were extended and bulk handling made relatively lower freight rates on grain possible. Terminal elevators were provided at interior points and at the ports to assist the outward movement. Labour saving machinery for large-scale production was developed. A tremendous stimulus was provided by the high prices and assured markets of the War period. Throughout most of the short history of the West, land values have remained low enough to encourage extensive methods of farming. The work of plant-breeders and cultural investigators has kept pace with new problems so that new and earlier varieties have been developed and better cultural methods adopted to meet the changed conditions resulting from extractive farming.

A brief citation of the relevant statistics will illustrate the hazards that have accompanied the establishment of a wheat economy in the Prairie Provinces. The two main variants—weather and foreign demand—are largely beyond control. The weather is the main determinant of yield and foreign demand is one of the principal price-determining factors.

The following table lists the gross value of agricultural production in the three Prairie Provinces from 1918 to 1937, and for comparative purposes, the value of the wheat crop. The tremendous variation is clearly apparent, the low point of gross value of production being \$291,666,000 in 1931 and the high, \$863,986,000 in 1927. Similarly for wheat the low point in value was \$112,480,000 in 1931 and the high, \$451,956,000 in 1925.

GROSS VALUE OF AGRICULTURAL PRODUCTION IN THE PRAIRIE
PROVINCES AND FARM VALUE OF THE WHEAT CROP, 1918 TO 1937

Year	Gross Value of Agricultural Production. (Thousand Dollars)	Value of Wheat Crop (Thousand Dollars)
1918.....	714,804	328,939
1919.....	802,374	387,073
1920.....	730,093	370,990
1921.....	475,589	219,175
1922.....	604,919	312,515
1923.....	591,546	294,686
1924.....	653,543	285,821
1925.....	771,065	451,956
1926.....	765,011	408,279
1927.....	863,986	445,547
1928.....	843,153	424,039
1929.....	642,022	290,046
1930.....	441,219	187,279
1931.....	291,666	112,480
1932.....	299,080	144,333
1933.....	293,298	123,198
1934.....	354,920	159,027
1935.....	359,122	159,677
1936.....	412,191	185,580
1937.....	390,643	157,560

Source.—Dominion Bureau of Statistics, Agricultural Branch, Ottawa.

The next table is appended to show the growth of wheat acreage and production in the three Prairie Provinces as well as the tremendous variation in average yield per acre from year to year. A downward trend in yield per acre is also apparent from the moving averages. The year 1937 showed the lowest average yield per acre (6·5 bushels) and the year 1915 the highest (26·0 bushels). In 1937, the total yield was the lowest since 1914, in which year there were over 15 million acres less wheat sown.

WHEAT ACREAGE, PRODUCTION, YIELD PER ACRE, AND 9-YEAR MOVING
AVERAGES OF YIELDS, 1906-1937

Year	Acreage	Production (Bushels)	Average Yield Per Acre (Bushels)	9-Year Mov- ing Average of Yields (Bushels)
1906.....	5,096,053	104,222,780	20.4	-
1907.....	5,081,207	71,574,402	14.1	-
1908.....	5,624,000	91,855,000	16.3	-
1909.....	6,878,000	147,482,000	21.4	-
1910.....	7,867,423	110,166,704	14.0	18.43
1911.....	9,990,461	208,697,000	20.9	19.63
1912.....	10,011,000	204,280,000	20.4	19.50
1913.....	10,036,000	209,262,000	20.9	19.12
1914.....	9,335,400	140,958,000	15.1	17.60
1915.....	13,867,715	360,187,000	26.0	16.57
1916.....	14,362,809	242,314,000	16.9	15.85
1917.....	13,619,410	211,953,100	15.6	14.98
1918.....	16,125,451	164,436,100	10.2	14.97
1919.....	17,750,167	165,544,300	9.3	15.85
1920.....	16,841,174	234,138,300	13.9	14.40
1921.....	22,181,329	280,098,000	12.6	14.67
1922.....	21,223,448	373,194,000	17.7	14.95
1923.....	20,879,558	452,260,000	21.7	16.10
1924.....	21,066,221	235,694,000	11.2	17.65
1925.....	19,759,648	367,058,000	18.6	17.22
1926.....	21,805,314	380,765,000	17.5	17.58
1927.....	21,425,656	454,559,300	21.2	16.84
1928.....	23,158,505	544,598,000	23.5	16.25
1929.....	24,297,116	281,664,000	11.6	16.07
1930.....	24,807,058	397,300,000	16.0	15.33
1931.....	25,586,092	301,181,000	11.8	14.69
1932.....	26,345,000	422,947,000	16.0	13.33
1933.....	25,177,000	263,004,000	10.4	11.51
1934.....	23,296,000	263,800,000	11.3	-
1935.....	23,293,000	264,098,000	11.3	-
1936.....	24,837,800	202,000,000	8.1	-
1937.....	24,599,000	159,000,000	6.5	-

Source: Dominion Bureau of Statistics, Agricultural Branch, Ottawa.

An idea of the variation in wheat prices may be gained from the following table, which gives the yearly average prices of No. 1 Northern wheat at the Head of the Lakes from 1890-91 to 1936-37. Actually the variation at the country elevator would be greater.

YEARLY AVERAGE PRICES OF NO. 1 NORTHERN WHEAT, FORT WILLIAM-
PORT ARTHUR BASIS, CROP YEARS 1890-91 TO 1936-37

Crop year ending August 31	Cents per bushel
1890-91..	90.4
1891-92..	87.0
1892-93..	74.9
1893-94..	65.6
1894-95..	71.0
1895-96..	61.1
1896-97..	72.6
1897-98..	98.9
1898-99..	72.4
1899-1900..	69.8
1900-01..	79.5
1901-02..	72.7
1902-03..	74.9
1903-04..	86.2
1904-05..	97.4
1905-06..	77.5
1906-07..	79.5
1907-08..	104.7
1908-09..	116.1
1909-10..	102.4
1910-11..	96.6
1911-12..	100.8
1912-13..	89.4
1913-14..	89.4
1914-15..	132.4
1915-16..	113.3
1916-17..	205.6
1917-18..	221.0
1918-19..	224.1
1919-20..	217.5
1920-21..	199.3
1921-22..	129.7
1922-23..	110.5
1923-24..	107.1
Crop year ending July 31	
1924-25..	169.0
1925-26..	151.2
1926-27..	146.3
1927-28..	146.3
1928-29..	124.0
1929-30..	124.0
1930-31..	64.2
1931-32..	59.8
1932-33..	54.3
1933-34..	68.1
1934-35..	81.8
1935-36..	85.1
1936-37..	122.7
1937-38*..	139.0

* Eight months, August, 1937 to March, 1938, inclusive.

Source: Dominion Bureau of Statistics, Agricultural Branch, Ottawa.

Canada's progress from an importing to a great wheat exporting country is shown by the following table, giving the population of Canada and the production, imports, exports and home consumption of wheat in Canada 1868-69 to 1936-37. The development of western Canada is mainly responsible for this change in Canada's wheat production through the years. The production of soft winter wheat in Ontario has actually declined as the Prairie Provinces were developed.

**PRODUCTION, IMPORTS, EXPORTS AND HOME CONSUMPTION OF WHEAT IN
CANADA, 1868-69 TO 1936-37**

Year	Esti- mated popula- tion	Pro- duction	Imports ¹			Exports ¹			Apparent home con- sumption ³
			Wheat	Wheat flour	Wheat and flour ²	Wheat	Wheat flour	Wheat and flour ²	
	000	000 bush.	bush.	brl.	bush.	bush.	brl.	bush.	000 bush.
1868.....	3,511	22,156	3,591,948	349,248	5,163,564	2,809,208	375,219	4,497,694	22,822
1869.....	3,565	22,678	4,402,773	326,387	5,871,515	3,557,101	382,177	5,276,898	23,178
*1870.....	3,625	16,724	4,201,657	392,843	5,969,451	1,748,977	306,339	3,127,503	23,663
1871.....	3,689	23,149	4,168,179	376,372	5,861,853	2,993,119	453,144	5,032,277	23,979
1872.....	3,754	23,838	5,821,390	278,832	7,076,134	4,379,741	474,190	6,513,596	24,401
1873.....	3,826	24,180	8,405,616	288,056	9,701,868	6,581,217	540,317	9,012,644	24,869
1874.....	3,895	25,853	5,105,158	467,786	7,210,195	4,383,022	302,783	5,745,546	25,818
1875.....	3,954	26,093	5,855,656	376,114	7,548,169	6,070,393	415,504	7,940,161	25,701
1876.....	4,009	22,601	4,589,051	549,063	7,059,835	2,393,155	268,605	3,601,878	26,059
1877.....	4,064	25,903	5,635,411	314,520	7,050,751	4,393,535	476,431	6,537,475	26,416
1878.....	4,120	30,359	4,210,165	313,088	5,619,061	6,610,724	574,947	9,197,986	26,780
1879.....	4,185	34,276	10,176	101,799	468,272	5,090,505	544,591	7,541,165	27,203
*1880.....	4,255	32,350	76,652	197,581	965,767	2,523,673	439,728	4,502,449	28,813
1881.....	4,325	38,000	345,099	172,517	1,122,236	3,845,035	469,739	5,958,861	33,163
1882.....	4,375	47,752	44,097	264,956	1,236,399	5,807,458	489,046	8,068,165	40,920
1883.....	4,430	30,841	298,660	531,188	2,689,006	745,526	197,389	1,633,777	31,896
1884.....	4,487	45,353	373,101	540,108	2,803,587	2,340,956	123,777	2,897,953	45,269
1885.....	4,537	42,736	66,084	201,327	972,056	3,419,168	388,099	5,156,614	38,551
1886.....	4,580	38,225	22,540	169,629	785,871	5,631,726	520,213	7,972,685	31,038
1887.....	4,626	38,954	12,042	62,482	293,211	2,163,754	350,115	3,739,272	35,508
1888.....	4,678	32,965	15,167	258,813	1,179,826	490,905	131,181	1,081,290	33,064
1889.....	4,729	30,792	198,969	199,869	953,345	422,274	115,009	3,940,744	30,805
*1890.....	4,779	42,253	147,521	57,489	408,222	2,108,216	296,784	3,840,744	39,185
1891.....	4,833	60,721	66,113	36,559	230,629	8,714,154	380,996	10,428,636	50,523
1892.....	4,883	48,182	9,069	34,507	164,351	9,271,885	410,185	11,117,718	37,229
1893.....	4,931	41,347	60,773	32,506	207,050	9,272,208	428,610	11,200,953	30,353
1894.....	4,979	43,221	499,720	47,883	715,194	8,825,689	222,975	9,829,077	34,107
1895.....	5,026	55,703	142,131	41,436	328,593	9,019,542	186,716	10,759,764	45,272
1896.....	5,074	39,570	83,589	26,377	202,286	7,855,274	421,758	9,753,185	30,019
1897.....	5,122	54,418	58,045	35,587	218,187	18,963,107	1,249,438	24,585,578	30,051
1898.....	5,175	66,495	35,546	57,745	295,399	10,305,470	792,536	13,871,882	52,919
1899.....	5,235	59,912	27,262	60,659	255,228	16,844,650	768,162	20,301,379	39,866
*1900.....	5,301	55,572	104,782	46,638	314,653	9,739,758	1,118,700	14,773,908	41,113
1901.....	5,371	88,337	148,326	47,143	360,470	26,117,530	1,086,648	31,007,446	57,690
1902.....	5,494	97,073	84,931	35,247	243,543	32,985,745	1,287,766	38,780,692	58,536
1903.....	5,561	81,888	37,171	40,849	220,992	16,779,028	1,587,600	23,923,228	58,186
1904.....	5,627	71,838	92,406	42,397	282,193	14,700,315	1,321,469	20,646,926	51,474
1905.....	6,002	107,033	64,921	41,912	253,531	40,399,402	1,532,014	47,293,465	59,993
1906.....	6,097	135,602	35,257	44,072	235,575	39,434,658	1,562,491	46,465,868	89,370
1907.....	6,411	93,131	104,267	44,194	303,140	40,077,950	1,667,903	47,583,514	45,851
1908.....	6,625	112,434	28,186	33,489	178,887	47,696,065	2,008,346	56,783,636	55,879
1909.....	6,800	166,744	73,078	30,273	209,307	52,623,487	3,374,268	67,808,093	99,145
*1910.....	6,988	132,078	107,903	66,608	47,609	48,442,780	3,101,185	62,398,113	70,088
1911.....	7,207	231,237	140,626	52,191	375,486	78,786,889	4,180,892	97,600,903	134,012
1912.....	7,389	224,159	619,031	60,079	889,387	95,510,826	4,496,299	115,744,172	109,304
1913.....	7,632	231,717	129,823	50,632	357,667	114,902,121	4,596,739	135,587,447	96,487
1914.....	7,879	161,280	1,964,466	47,905	2,180,039	63,901,874	5,077,389	86,750,125	76,710
1915.....	7,981	393,543	131,308	38,638	305,179	235,738,776	7,426,437	269,157,743	124,690
1916.....	8,001	262,781	86,043	48,531	304,433	140,223,819	7,631,429	174,565,250	88,520
1917.....	8,060	233,743	183,639	21,693	281,258	118,579,601	11,257,942	169,240,340	64,784
1918.....	8,148	189,075	290,891	6,815	321,559	55,921,319	9,119,796	96,960,401	92,436
1919.....	8,311	193,260	115,420	19,186	201,757	63,450,123	6,455,422	92,499,554	100,962
*1920.....	8,556	226,058	304,642	33,357	454,749	136,968,832	6,721,469	167,215,443	95,747
1921.....	8,788	300,858	193,234	39,935	372,842	150,935,359	7,740,960	185,779,679	108,759
1922.....	8,919	399,786	93,571	67,544	397,519	229,849,410	11,003,460	279,364,980	129,719
1923.....	9,010	474,199	40,772	88,882	440,741	292,425,153	12,021,424	346,521,561	94,650
1924.....	9,143	262,097	352,923	61,660	360,393	146,958,158	10,169,692	192,721,772	87,451
1925.....	9,294	395,475	154,963	49,829	379,194	275,557,078	10,896,654	324,592,021	62,501
1926.....	9,451	407,136	139,486	59,474	407,119	251,265,788	9,247,824	292,850,996	100,191
1927.....	9,637	479,665	148,904	72,410	474,749	288,567,390	9,865,754	332,963,283	120,172
1928.....	9,835	566,726	994,922	77,991	1,345,881	254,424,699	11,808,775	407,564,187	133,805
1929.....	10,029	304,520	1,003,998	82,384	1,374,726	155,766,106	13,778,023	186,267,210	111,943
1930.....	10,208	420,672	131,608	25,025	244,221	228,536,403	6,701,663	258,693,887	139,487
1931.....	10,376	321,325	123,524	20,623	216,328	182,803,382	5,383,594	207,029,555	117,560
1932.....	10,506	443,061	51,320	27,043	173,014	240,136,568	5,370,613	264,304,327	99,123
1933.....	10,681	281,892	10,676	89,442	413,165	170,234,013	5,454,638	194,779,875	104,518
1934.....	10,824	275,849	2,794	198,640	896,674	144,374,910	4,750,310	165,751,305	101,583
1935.....	10,935	281,935	15,111	61,422	291,510	232,019,649	4,978,917	254,424,775	121,702
1936.....	11,028	229,218	146,959	56,986	403,396	174,858,160	4,525,665	195,223,653	109,740

¹ Years ended June 30, 1889 to 1905, and July 31, 1906 to 1937.

² Wheat flour has been converted into bushels of wheat at the average rate of 4½ bushels to the barrel of 196 lb. of flour.

³ In calculating the apparent home consumption, stocks of wheat on hand at July 31 have been included since 1921 and stocks of wheat flour since 1926. The consumption figures for these years are not, therefore, strictly comparable with the figures for the earlier years, for which data on carry-over stocks are not available.

⁴ Production figures from records of the decennial census.

Source.—September, 1937, Monthly Bulletin of Agricultural Statistics.

WESTERN CANADIAN AGRICULTURE IN THE CANADIAN ECONOMY—INTERNAL AND EXTERNAL

Canada's economic policy, stated in general terms, has been one of protection to industry and certain minor branches of agriculture, with considerable importation over the tariff from the United States and Great Britain and reliance on export of primary products and manufactures thereof to balance her international indebtedness. Capital for early development came mostly from the Old Country, creating a net debtor position that has persisted to this day.

The tariff and related imposts cause increased production and living expenses on the western farms and when added to taxes on land value, mortgage charges, etc., do not correlate well with a farm income noted for its variation with the weather and foreign demand. These taxes in turn cannot be shifted by the farmer to any great extent since the factors determining grain prices are of world wide scope.

As an offset, it has been a matter of government policy to effect reductions in the cost of marketing. A great deal has been done to promote efficient marketing of the wheat crop in which western Canada is comparatively advantaged and upon which Canada largely depends for the balance of her international indebtedness.

Farm Capital and Value of Production

The current value of farm capital in Canada in 1937 (including land and buildings, implements and machinery, and livestock and poultry) was \$4,626,161,000. Of this amount, the three Prairie Provinces accounted for \$2,026,254,000. The constituent items were land and buildings, \$1,539,646,000, implements and machinery, \$261,882,000, and live stock and poultry, \$224,726,000.

In the same year, 1937, the gross value of agricultural production in Canada was \$1,051,698,000, of which the three Prairie Provinces contributed \$390,643,000. All field crops accounted for \$273,592,000 of this latter figure and wheat was valued at \$157,560,000. Of course, this was far from a normal year in western agriculture. These are the indications of the tremendous investment in Canadian agriculture.

Farm Population

At the 1931 census, some 4·8 millions of Canada's total population of 10·4 millions were classed as rural and this was the first time in which urban population exceeded rural. The Prairie Provinces, as disclosed in the following table, have remained essentially rural.

PERCENTAGE RURAL OF TOTAL POPULATION

—	1901	1921	1936
Manitoba.....	72.4	57.1	53.3
Saskatchewan.....	84.4	71.1	69.9
Alberta.....	74.6	62.1	62.9

Source: Census data.

Farm Ownership and Tenancy

Western Canada is rapidly changing from farm ownership to farm tenancy. The following quotation is illustrative:

“Twenty-five years ago (1911), 83.4 per cent of the farmers of Manitoba, 90.6 per cent of the farmers of Saskatchewan and 92.0 per cent of those of Alberta owned the farms which they operated, whereas in 1936 the percentages were as follows: Manitoba 67.2 per cent, Saskatchewan 60.3 per cent, and Alberta 66.9 per cent.”

Source: Canada Year Book, 1937, p. 270.

There were also large increases in the number of partly owned and partly rented farms in each province during this period. Such changes are related to the decrease in the value of land and the increase in mortgage and other indebtedness.

Internal Importance of Canadian Agriculture

Canadian agriculture is a very important factor in the economy of Canada. The purchasing power of the farmer is a decided influence in providing manufacturing, transportation and distribution interests with employment and revenues. Basing calculations on the last Dominion census of 1931, farm expenditures for labour, taxes, feed, fertilizers, farm machinery, light and power, annual charges on farm mortgages, gasoline, oil and repairs, binder twine and other supplies, it is estimated that Canadian farmers spent 557 million dollars for these items. Food would account for another 325 million dollars and clothing at least 75 millions. These items totalling nearly a thousand million dollars represent the value of farm purchasing power to the Dominion. It is further calculated that about one-third of this purchasing power arises from the Prairie Provinces.

Farm production forms the raw material of Canadian manufacturing and processing concerns to the extent of about one-quarter of the total gross value of their output.

About 20 to 25 per cent of the revenue freight loaded on Canadian railways is made up of grain and grain products and live stock. A large part of the Great Lakes freight is made up of grain moving eastward for export. It is very important also to note that in periods of depression

there is only a slight contraction in the volume of farm products moving, compared with the major decline in the movement of industrial goods. Agriculture thus acts as a stabilizer to the revenues of transportation interests.

External Importance of Canadian Agriculture

In external trade, products of farm origin made up nearly 40 per cent of our total exports in 1936-37, with wheat and wheat flour providing 23 per cent. The total value of domestic exports was \$1,061,181,906, of products of farm origin, \$422,163,595, and of wheat and wheat flour, \$245,048,047. Other grains add to over 21 million dollars and other grain products over 15 million dollars. These percentages are lower than was formerly the case because of the impediments to trade in wheat common throughout the world.

These statistics reveal the importance of agricultural exports (and wheat, in particular) in balancing the international exchange of Canada, which is a net debtor country. Payment for imports and for interest and retirement of our national debt held in other countries is largely dependent upon Canada's continuation as an export country.

A study of relevant statistics impresses one with the fact that domestic utilization of Canadian foodstuffs produced in surplus amounts has declined very slightly in recent years. The great change has been in foreign demand. The marketing troubles besetting western agriculture can therefore be appraised as foreign and, to a large extent, uncontrollable. Diminished effective demand is the important change.

A basic difficulty of agriculture is that production is not controllable as in industry. Unless nature limits the output, the full force of depression in demand is felt in the price factor; in manufacturing, employment, wages and prices all bear part of the burden.

Undoubtedly, the western producer works under a disadvantage in Canada's fiscal policy. This was repeatedly emphasized in evidence before this Commission. The compensation suggested for this disability included measures directed toward reduction of production costs, continued improvements in marketing and handling methods from the standpoint of efficiency and economy, and any possible steps that can be taken to better overseas demand.

It is estimated that British and foreign investments in Canada at January 1, 1935, amounted to \$6,887,812,000, a figure which is counter-balanced to some extent by Canadian investments in other countries of \$2,083,341,000. (Canada Year Book, 1937, p. 872.) The net liability is still a large amount and must remain a principal determinant of our economic policy. The continuation of our export trade is essential and because of the important place of wheat in such trade, it deserves special consideration.

CHAPTER III

METHODS OF MARKETING

The first enumerated paragraph in the Order in Council calls for an inquiry into:

1. "The methods now or heretofore employed in marketing Canadian Grains abroad, including Government Grain Boards, co-operative or pool marketing, price stabilization measures and the open market or competitive method; and the effect of these various methods upon markets."

Before discussing these various methods in detail and from the standpoint of the controversies which surround them, I find it useful to review in bare outline the history of the years which have gone by and the place which each system of marketing has occupied from time to time. It will be convenient in doing this to begin with the method described in the paragraph as "the open market or competitive method;" because, with the exception of two intervals, one during the Great War and one immediately after its close, this method of marketing Canadian grain has prevailed constantly, though not always exclusively, from the beginning of western Canada's export trade down to the present time.

THE OPEN MARKET OR COMPETITIVE METHOD

The history of the open market or competitive method may be divided into two periods: that which went before the existence in Canada of a futures trading system, and that which has been going on since the coming into operation of this system in its present form in Winnipeg in February, 1904.

From the beginning, and regardless of the particular systems prevailing, the grain grower and those concerned in his welfare have always been interested in securing the best possible return for the product shipped from the farm to the market. At first the wheat was bought for export to Europe by traders who did not hedge their purchases but bore, themselves, the full risk of price fluctuations until they had resold at an Atlantic port, generally New York. The only evidence we have of those early days, which is now incomplete and fragmentary, indicates that a wide spread of probably ten cents a bushel on wheat of the straight grades was taken between the prevailing British price and that paid to the farmer at the time of purchase, this spread being in addition, of course, to the necessary carrying and shipping charges. At a later period some firms came into the business who hedged their purchases in New York, Chicago or Minneapolis; but the spread between producer and consumer prices, apart from carrying and

shipping charges, still remained relatively wide because hedging in these United States markets was not altogether satisfactory. This was the first period of the open method of marketing and it came to an end when futures trading was established in Winnipeg.

However, it must be added that in those early days, and especially before the enactment of the Manitoba Grain Act, 1900, several factors other than the lack of a futures market in Canada had a bearing on the wide spread taken between overseas prices and those paid to the producer. These were uncertainty as to grade and quality, scarcity of cars, inadequate elevator space and loading platforms, the high cost of handling grain in small volume, slower communications and lack of broad and precise market information.

The reasons which actuated those who brought the present system of futures trading into being in Canada and the steps which they took to achieve their purpose are set out in the statement submitted to me in Winnipeg by Mr. Frank Fowler who has been manager of the clearing house since its establishment. The full name of the clearing house is the Winnipeg Grain and Produce Exchange Clearing Association. Mr. Fowler says:

"This Association obtained incorporation under the Joint Stock Companies' Act of Manitoba in June, 1901. Its incorporators, along with others, after having a few years' experience in handling the grain crops of the West, during which they protected their purchases in the country with hedges in Chicago, decided they could not continue placing their hedges in a market in which they could not make delivery, and consequently through the Winnipeg Grain Exchange established a futures market in Winnipeg where futures contracts could be completed by the delivery of, and payment for, the grain stipulated in such contracts. Then, for the purpose of more efficiently and economically exchanging the daily balances due to the fluctuations in the price of grain and for the added security to contracts, a number of members of the Winnipeg Grain Exchange established this Clearing Association. Not all members of the Exchange are members of the Clearing Association, but all members of the Clearing Association must be members of the Exchange.

"The affairs of the Association are managed and administered by a Board of nine Directors, who in turn elect a President, Vice-President, Secretary-Treasurer and Manager. I was appointed Manager in the fall of 1903, and proceeded to organize and staff an office for clearing futures trading in western grain on the Winnipeg Grain Exchange. This took considerable time, but we finally commenced trading in futures and clearing the trades on the 2nd day of February, 1904."

The immediate effect of the establishing of the futures trading and clearing house system in Winnipeg was considered to be beneficial to the

producer. This is evidenced by the report of a Royal Commission appointed by the Dominion Government on July 19, 1906, and which reported on October 11, 1907. This report says:

"The work of the Grain Exchange in establishing and systematizing a market in Winnipeg for the handling of the crops of the West has been a great benefit to the country. The restrictions placed upon its members in providing for the fulfilment of contracts, the establishment of a clearing house in which contracts are protected day by day give the banks the necessary confidence and surety in advancing money to the trade with which to handle the crop. This has brought the producer much nearer to the consumer than he at one time was and no doubt is of great financial benefit to him."

Peculiar importance is to be attached to this statement by reason of the composition of the commission responsible for it. The commissioners were Mr. John Millar, Mr. W. L. McNair and Mr. George E. Goldie. Mr. Millar is and was then a farmer and wheat grower in the Indian Head District, who took an active part in farmers' movements. He was the first secretary of the Territorial Grain Growers' Association which was organized in 1901 and of which the Honourable Dr. W. R. Motherwell, M.P., was first president, and was later a member of Parliament from Saskatchewan. Mr. McNair was a prominent Manitoba farmer and Mr. Goldie was a miller in eastern Canada. These men were therefore in constant touch with grain marketing questions both before and after the adoption of futures trading in Canada and had their own experience to guide them in reaching conclusions.

As the years went on, however, a different sentiment concerning the futures trading system made itself felt among large numbers of grain growers. The Royal Grain Inquiry Commission of 1923-24 heard charges against the system which are summarized in the Commission's report at page 128 as follows:

"That speculation either on the cash or futures market injuriously affects the farmer and the community: (a) the price of grain is thereby unduly depressed in the autumn when the farmers are selling the bulk of their crop; (b) lucrative profits are made by speculators, scalpers, etc., through gambling with the farmers' product; (c) disastrous losses are made in speculation."

The report deals with these charges on pages 130 to 139 and on this last page it lays down 12 conclusions the effect of which is to favour the futures trading system as being, on the whole, beneficial to the producer.

Later on, dissatisfaction again induced government action and in 1931 another commission was appointed to deal solely with this question of futures trading. The report of this Commission, after pointing out the difficulties involved in the problem, concludes as follows:

"However, in brief, our answer to the question submitted is that in addition to the benefits reflected to the producer in furnishing a system of insurance for the handling of his grain, and in providing an ever-ready and convenient means for marketing the same, futures trading, even with its disadvantages of numerous price fluctuations, is of distinct benefit to the producer in the price which he receives."

During the course of this present investigation the merits of the system were again called in question and the advisability of allowing it to continue in existence in Canada was challenged.

THE BOARD OF GRAIN SUPERVISORS

The first departure from the open and competitive futures market trading system took place by Dominion Government action during the war. On June 11, 1917, an Order in Council was passed creating "The Board of Grain Supervisors of Canada." The reasons for this action appear in the preamble to the Order in Council, which reads:

"Whereas, by reason of war conditions, it is considered necessary to provide means whereby the grain of Canada in excess of domestic requirements may be made available for purchase by or on behalf of His Majesty's Government of the United Kingdom and of the Allied Powers, and that the distribution of domestic requirements be controlled in such manner and under such conditions as will prevent to the utmost possible extent any undue inflation or depreciation of values by speculation, by the hoarding of grain supplies, or by any other means."

The Board marketed the remnant of the wheat grown in 1916 and the whole of the wheat crops of 1917 and 1918.

The principal powers conferred upon the Board were to take possession of the wheat; to fix prices which "as far as possible and having regard to position and the cost of transportation" were to be uniform throughout Canada for grain of the same kind, quality and grade; and to resell the grain thus acquired to millers and to:

"overseas purchasers representing or acting for the Government of the United Kingdom or for any of the allied nations or for any combination of the same."

The prices paid by the Board were, basis No. 1 Northern in store Fort William: for the remainder of the 1916 crop, \$2.40 a bushel; for the 1917 crop, \$2.21; for the 1918 crop, \$2.24½.

The object of the Government in establishing this Board appears to have been to assist in providing a sufficient supply of grain to Great Britain and her allies and also to fill domestic requirements at reasonable prices. It was at this time that the Government, having the same purpose

in view, launched a nation-wide campaign for the extended production of wheat and other foodstuffs.

By order of the Board of Grain Supervisors trading in wheat for future delivery on the grain exchange was suspended from and after September 1, 1917. This suspension continued until July 21, 1919.

On this last date futures trading in wheat was resumed, but it lasted only until July 29, 1919. On July 31 an Order in Council was passed again suspending futures trading and establishing the Canadian Wheat Board with instructions to handle and market the wheat crop of 1919 and that portion of the crop of 1918 which might remain undelivered to the Board of Grain Supervisors on August 15, 1919.

THE CANADIAN WHEAT BOARD, 1919-20

The reasons for the creation of the Canadian Wheat Board are stated as follows in the Order in Council:

"As regards the crop of 1919, and any other wheat undelivered on the 15th day of August, 1919, it does not appear that there will exist in importing countries likely to require or purchase same, any organized buying at fixed prices such as prevailed in recent years, nor any open and stable market of the character that obtained prior to the war.

"The United States Government has through a constituted agency undertaken many months ago and during the continuance of active hostilities in the present war, the purchase at a fixed price, of the crop of that country for the year 1919, and the marketing of same at home and abroad.

"Under these abnormal conditions, resulting in uncertainty of price and instability of market, it would appear that in order to secure that early movement of the Canadian crop which is so essential, and that fair distribution among our wheat producers of the actual value of their product, as determined by the world demand for same throughout the entire season of marketing, which is equally desirable, action should be taken by the Government, looking to the purchase, storage, movement, financing and marketing of the wheat grown in Canada in 1919, and other wheat undelivered in Canada on the 15th of August, 1919."

The difference in the manner of operating between the Canadian Wheat Board of 1919-20 and the Board of Grain Supervisors was that the new board, instead of buying the wheat outright at a fixed price as the earlier board had done, paid the producer or other person delivering the wheat an advance which was fixed at \$2.15 a bushel on the basis of No. 1 Northern in store at Fort William, and remained accountable to the sellers for any profits it might realize on its resales after deducting all expenses. In the result, additional payments of 30 and 18 cents a bushel were made, bringing the total price of the wheat up to \$2.63 per bushel.

The operations of the Canadian Wheat Board of 1919-20 having come to an end, futures trading was resumed on August 18, 1920 and has gone on continuously ever since.

THE POOLS

The next modification in the system of wheat marketing occurred with the coming into action of the Pools in Alberta, Saskatchewan and Manitoba. The main objects of these Pools are to be found by reference to the contract signed by each Pool with the grower and which is in identical terms in the case of the three provinces. The preamble to the contract, taken from the Alberta form, reads:

"WHEREAS, the undersigned Grower desires to co-operate with others concerned in the production of wheat in the Province of Alberta and in the marketing of the same, hereinafter referred to as Growers, for the purpose of promoting, fostering and encouraging the business of growing and marketing wheat co-operatively and for eliminating speculation in wheat and for stabilizing the wheat market; for co-operatively and collectively handling the problems of Growers and for improving in every legitimate way the interests of Growers in the Province of Alberta and for other pertinent purposes:

"AND WHEREAS, the Association has been formed under 'The Co-operative Association Act' of the Province of Alberta with full power to act as agent, factor, mercantile agent and attorney in fact, to handle wheat produced and delivered to it by its members, and with such further powers as are set forth in its Memorandum of Association";

The Alberta Pool was the first in the field and became organized in time to handle a portion of the 1923 crop, about 34,000,000 bushels. Although the elimination of speculation was one of the principal objects of the Pool, and the Pool did not hedge its grain, its operations were not carried on altogether outside the Winnipeg Grain Exchange and the Exchange's marketing facilities. The operations of the Alberta Pool were inquired into in the winter of 1924 by the Royal Grain Inquiry Commission which was then sitting, and reference to the evidence given is to be found in the Commission's report at page 131. The Mr. Jaffray referred to is Mr. H. T. Jaffray, then chairman of the western subsection of the Canadian Bankers Association:

"The Alberta Pool which had received a line of credit, Mr. Jaffray stated, was not required by the banks to hedge its grain because the farmer gets only a partial advance and carries all the risk himself. That is, the farmer retains such a substantial interest in the grain until it is ultimately disposed of that it is sufficient to

protect the advance the bank makes against any loss. Loss, if it occurs will fall upon the Pool members themselves. The witness believed that without hedging the farmer (that is the non-pool farmer) would be unable to dump his large crop on the market within three months of the harvest season without taking a smaller price for it. Evidence was later given by Chester Elliott, Western Sales Manager for the Alberta Pool, that the Pool had sold wheat for future delivery 'when prices looked attractive' and had also used the futures market in connection with the export business 'to accommodate the buyer.' Mr. Elliott, however, said they did not use the market to hedge the grain of which control had been acquired in the country."

In 1924 the organization of the three Pools was completed. They then decided to get together in setting up a combined selling agency in Winnipeg, and this was done by the incorporation in August 1924, under the Companies Act of Canada, of Canadian Co-operative Wheat Producers, Limited. The new company was to act as selling agent for the three Pools on a non-profit basis. It became known as the Central Selling Agency, and its objects, as stated in its charter, were:

"To be an agricultural organization instituted for the purposes of mutual help, to serve as the central marketing association for the corporations and persons mentioned in Section (a.1) hereof, (the three Pools) but for no others; to improve methods and reduce costs of marketing grain; to reduce speculation, manipulation and waste, and all unnecessary transactions in such marketing; to increase consumption, build up new markets and develop new uses for grain; to market same directly and with regularity, so as to furnish it economically to the users thereof; and to preserve for the growers and the public their proper profits and economies."

I notice that while the contract between each Pool and the growers expressed the intention of "eliminating" speculation, the object of the Central Selling Agency in this regard was stated to be to "reduce" speculation. I do not know whether this change in language was meant to have any real significance, or whether the modified wording in the later charter was intended to provide for the operations described by Mr. Chester Elliott in 1924 when he spoke of selling wheat for future delivery "when the prices looked attractive" and using the futures market "to accommodate the buyers" (which means accepting from the buyer of cash wheat a futures contract held by him). In any event the Central Selling Agency took membership on the Winnipeg Grain Exchange and, in the course of its operations, it had recourse from time to time to practices usually considered to be speculative; but this will be gone into later. It will suffice for the present to point out that the Pools, through their Central Selling Agency, pursued a marketing policy different in one major respect from that pursued by elevator companies and others buying wheat

in large volume for re-sale, in that they did not hedge the wheat they held for sale but carried their own risk of fluctuations in prices, disposing of their wheat from time to time throughout the year. They adopted this policy out of conviction that the hedging of great quantities of wheat in the futures market in the early delivery months had a depressing effect upon prices. As the Pools handled over 50 per cent of all the wheat marketed during their period of full activity, the effect upon prices of their non-hedging policy might be expected to have been noticeable if their conviction was well founded. On the other hand the risk they were carrying was great, but it might be argued that it was no greater than were their chances of gaining by not committing themselves to a price early in the crop year.

In 1925 the Saskatchewan and Alberta Pools began the pooling of coarse grains and the Alberta Pool adopted the same measure in 1929.

The first four years of Pool operating appear to have produced results satisfactory to Pool members. But the wheat crop of 1928 turned out to be the largest in the history of Canada and at the end of the crop year the Pools had a large quantity of this wheat still unsold. This handicapped the selling of the 1929 crop. On July 11, 1929, when the Winnipeg closing cash price for No. 1 Northern wheat was \$1.44½, the Central Selling Agency fixed the initial payment to be made in respect to the 1929 crop at \$1 per bushel on the basis of No. 1 Northern at Fort William. This initial payment proved much too high. Prices fell so that in the result the over-payment made on this basis amounted to 18 cents a bushel. The Pools' total deficit in respect to wheat and coarse grains was ultimately placed at \$24,300,000.

The amount advanced by the banks to the Pools to make the initial payment of \$1 in 1929 having become jeopardized by a fall in prices which reduced the margin between the market value of Pool grain and the indebtedness to less than the stipulated 15 per cent, the banks wanted some action taken. In February 1930 the Governments of the three Prairie Provinces gave the banks a guarantee against loss in respect to the 1929 crop and the remainder of the 1928 crop.

The year 1930-31 produced new difficulties. An initial payment of 70 cents for No. 1 Northern was fixed on July 10 when the Winnipeg closing cash price was 95 cents. The guarantee of the provincial Governments did not extend to the 1930 crop. The initial payment was reduced on August 14 to 60 cents, again to 55 cents on September 11 and finally to 50 cents on November 8.

Prices continuing to fall, the Dominion Government was called upon for assistance, and through an arrangement entered into by the Central Selling Agency and approved by all parties, Mr. John I. McFarland became Manager of the Central Selling Agency in November 1930, taking charge of the carry-over and of the 1930 crop. Dominion Government guarantees were then given to the banks.

On July 31, 1931, the Pools became separated from the Central Selling Agency and since then have operated as separate entities carrying on a country and terminal elevator business. They also operated voluntary selling pools, each in its own province, for those of their members who wished to pool their grain. This voluntary pooling went on for the four years 1931-32-33-34, but was discontinued upon the establishment of the Canadian Wheat Board in the summer of 1935. The voluntary pooling operations were of small volume, slightly less than 20 million bushels of wheat being marketed in that manner during the four years.

PRICE STABILIZATION MEASURES

Shortly after the assumption by Mr. McFarland of the management of the Central Selling Agency in November, 1930, there began what is referred to in the Order in Council as the "price stabilization measures." These went on until the fall of 1935 and were financed by the banks under Dominion Government guarantee. In speaking of these stabilization measures in their relationship to the futures market, all that may be said is that they consisted in holding unusually large quantities of grain out of the cash market for long periods of time and in adding to the Central Selling Agency's cash wheat by the buying of futures. The reasons given for this policy were: excessive world supplies, a scarcity of buyers and ruinously low prices. These practices were contrary to those which had been followed by the Central Selling Agency up to that time. They were intended to secure better prices for wheat by abstaining from selling freely and continuously, and to resist downward pressure on prices by buying futures, especially in the fall months. The unusual element thus furnished to the market was the existence of this agency acting on a very large scale under Dominion Government guarantee. When Mr. McFarland took charge of the Central Selling Agency in November, 1930, the quantity of wheat on hand was 36,935,000 bushels, with Pool contract wheat still to come in during the crop year. At the end of that crop year, he had a carry-over of 75,164,000 bushels of which 47,555,000 consisted of futures, and 27,609,000 of cash wheat. When Mr. McFarland's activities came to an end in the fall of 1935 he had on hand, on Central Selling Agency account, 205,187,000 bushels, of which 53,728,000 bushels were cash wheat and 151,459,000 futures.

THE CANADIAN WHEAT BOARD, 1935

The next agency to be created was the present Canadian Wheat Board established by Dominion Statute in July, 1935, and acting with the financial support of the Government.

The Wheat Board took office on August 14, 1935, with Mr. McFarland as chief commissioner. The statute empowered and instructed the Board to acquire and to sell all the wheat and the contracts for the delivery of wheat held by the Central Selling Agency, and also to receive and to sell

all wheat delivered to it by producers. In receiving wheat from producers, the Board was to pay the producer a price to be fixed by the Board with the approval of the Governor in Council and to deliver to him a participation certificate entitling him to share, with all other producers dealing with the Board, in the equitable distribution of the surplus, if any, of the operations of the Board during the crop year. Mr. McFarland continued to act as manager of the Central Selling Agency up to the time he resigned from the Wheat Board on December 2, 1935, and, during the autumn months of 1935 preceding his resignation, he continued to buy and sell on stabilization account.

On December 3, 1935, Mr. J. R. Murray was appointed chief commissioner. The new Board took over from Mr. McFarland's administration 90,189,187 bushels of wheat and wheat contracts in respect of the 1935 crop. At the same time there was in the account of the Central Selling Agency the 205,187,000 bushels of cash wheat and of futures contracts already referred to. The acquisition of these 205,187,000 bushels, called "stabilization wheat" was later completed as of December 2, 1935. The terms of the acquisition showed a loss to the Government, under its guarantee, of \$15,856,645.83 on ruling prices.

The Board with Mr. Murray as chief commissioner proceeded to dispose of this stabilization wheat and the wheat of the 1935 crop. At the end of the 1935-36 crop year there were left on hand 82,667,891 bushels of stabilization wheat and 2,030,761 bushels of 1935 crop wheat. The initial price fixed under the provisions of the Act for 1935 wheat was 87½ cents for No. 1 Northern in store Fort William or Vancouver. As the operations of the Board in respect of this wheat resulted in a loss of \$11,858,104.18, there was no surplus to be distributed among the producers.

THE CANADIAN WHEAT BOARD, 1936-37 AND 1937-38

Respecting the crops of 1936 and 1937 the Board has this to say in its annual report for 1936-37:

"In accordance with Section 8, subsection (a), of the Canadian Wheat Board Act, 1935, the Board, on July 29, 1936, fixed a price to be paid to the producers for wheat delivered to the Board, subject to the approval of the Governor in Council, of eighty-seven and one-half cents (87½c.) per bushel for No. 1 Northern at Fort William or Vancouver. On August 28, 1936, this price was approved by the Governor in Council to become effective only if the closing market price for wheat dropped below ninety cents per bushel for No. 1 Northern Wheat in store Fort William. During the period from August 1 to August 28, 1936, the Board took delivery of 617,655-21 bushels of wheat from producers of which 559,663-47 bushels were subsequently returned to the producers, while 57,991-34 bushels were settled for at the open market price to producers who elected that alternative.

"The price to be paid to producers for the 1937-1938 season was fixed on the same basis as in the previous season, namely eighty-seven and one-half cents (87½c.) per bushel for No. 1 Northern Wheat, in store Fort William or Vancouver. As in the previous year, this price was approved by the Governor in Council to become effective only if the closing market price for wheat dropped below ninety cents per bushel for No. 1 Northern, in store Fort William."

During the crop year 1936-37 and up to the present time in this crop year 1937-38 the closing market price for No. 1 Northern wheat has not dropped below 90 cents.

The liquidation of stabilization wheat was continued during 1936-37, and at the same time the Board sold the remaining 2,030,761 bushels of the 1935 crop. The result of these operations is found in the following extract from the Board's report:

"The net results of the Board's wheat operations to July 31, 1937, at which date the Board was holding 6,964,000 bushels of futures contracts against seed requirements for the 1938 crop, may be summarized as follows:

Profit on Wheat taken over from Canadian Co-operative Wheat Producers Limited at market prices of December 2, 1935..	\$25,485,526 66
<i>Less:</i>	
Amount necessary to repay advance to Board by Dominion Government against estimated loss (figured at market prices of December 2, 1935), on Wheat taken over from Canadian Co-operative Wheat Pro- ducers Limited..	15,856,645 35
<i>Net Profit</i>	\$ 9,628,881 31
<i>Less:</i>	
Loss on Board Operations—	
1935 crop..	\$11,858,104 18
1936 crop..	49,574 88
	<hr/>
<i>Net Loss as at July 31, 1937</i>	<hr/> \$ 2,278,797 75"

Speaking to-day of the Canadian Wheat Board in relation to the "open market or competitive method" of marketing with the futures trading system as its mode of operation, it can only be said (1) that the Board did not hedge the wheat it had for sale, and (2) that it has put an end to the stabilization proceedings above described.

Since the Board's marketing activities in respect to the 1937 crop are suspended in view of the market prices prevailing, which have constantly been above the 90 cents level, it may be said that Canadian grain is now being marketed under the open market, competitive, futures trading system, as it was before the war and during the period between the end of the operations of the Canadian Wheat Board 1919-20 and the coming into the field of the Alberta Wheat Pool in the fall of 1923.

CHAPTER IV

FUTURES TRADING

It will now be in order to look into the operation of the open market system with its attendant futures trading device. This task has been performed several times in the past and at some length by Royal Commissions, for instance in 1923-24 and in 1931. It will be necessary, however, to treat the subject again on this occasion (although more briefly in some respects), in the first place because the Order in Council calls for a report on this, as well as on other methods of marketing, and in the second place because upon this inquiry the futures trading system, as I have already remarked, has once more been challenged as inefficient and as detrimental to the wheat grower. That this unfavourable opinion is held by many is evidenced, among other material submitted, by the considered statement made by the Pool organizations of Alberta, Saskatchewan and Manitoba as appears in their brief (Ex. 398), and in particular in what I find at page 8 of that document where the following is submitted:

"We are satisfied that the futures market does cause fluctuations not justified by the supply and demand for wheat, and this fluctuating price does not necessarily reflect world value. Indeed, it would appear to be true to say that the futures market is not a system of intelligent merchandising; it is merely an example of irresponsible mob blundering. This tendency toward instability in price, which many farmers are convinced is aggravated by speculation, is one of the most serious indictments numerous farmers level against the futures market."

THE FARMER AND THE WHEAT MARKET

It must be noted at the outset that in estimating the efficiency of the futures trading system, or of any other marketing system, the test, for present purposes, must be whether the system in question is of superior advantage to the grower of Canadian grain; that is, whether it is more effective than any other known or proposed system in obtaining a good price for the grower's product and in increasing the sales volume of that product.

The farmer is brought face to face with the mechanism of the market when his wheat is threshed and ready for delivery at a country elevator point. This wheat will usually become available for consumption only later on, at some distant place, and it is for the farmer himself to determine the time when he will give up his property in it and allow it to go forward into the channels of trade. He knows that a certain price is

available to him at once in cash. He also knows that this price may rise or fall during the weeks and months to come. Between him and the person who will ultimately consume his wheat there is therefore the risk or chance of a change in price. Some one must carry that risk. The farmer may carry it himself for a part of the time by keeping the wheat on his farm, if he has the facilities, or by storing it in an elevator, or by handing it over to a co-operative selling organization, if he belongs to one, and entrusting the time of its sale to that organization.

But while someone must carry the risk, the farmer himself need not do so, any longer, in the usual case, than it takes him to deliver his wheat to a country elevator ready to buy it from him. Once he has sold his wheat it leaves his possession and he can make no further profit or loss out of it; the risk or the chance attendant upon it up to the time of its consumption is carried by others.

THE RISK OF PRICE CHANGE

But the person buying the wheat from the farmer may likewise get rid of his risk, in cases where a risk subsists, by selling either directly to a consumer or to somebody else who is ready and willing, for one reason or another, to become a buyer before the consumer is reached. This brings us to the grain exchange with its cash and futures markets and into the company of those who buy and sell in that market. Those who buy generally do so (1) because they need the wheat for immediate use, or (2) because they wish to avoid another risk to which they would otherwise be exposed, or (3) because they wish to put an end to a loss which they can stop only by buying, or (4) because they wish to take a profit on a previous transaction and must buy to do so, or (5) because they hope to make a profit by selling later, or (6) because they wish, by buying, to produce an effect upon the market itself by preventing a fall or producing a rise in prices, or by encouraging others to buy.

On the other hand those who sell generally do so (1) because they are producers who desire to take the price of their product, or (2) because they wish to avoid another risk to which they would otherwise be exposed, or (3) because they wish to put an end to a loss which they can stop only by selling, or (4) because they wish to take a profit on a previous transaction and must sell to do so, or (5) because they hope to make a profit by buying later, or (6) because they wish, by selling to produce an effect upon the market itself by preventing a rise or producing a fall in prices or by encouraging others to sell.

The foregoing enumeration does not assume to be exhaustive, but I think it sets out fairly the different classes of buyers and sellers who were discussed in the evidence. It will be noted that of the various transactions referred to some are intended to avoid, or to put an end to, a risk, and consequently to the hope of profit or the fear of loss, while others

are intended to open a risk which is assumed in the hope and expectation of profit.

By far the greater proportion of the transactions above described are not accompanied by a change of property in any actual wheat or by a transfer of the documents of title to wheat; they are contracts for the acceptance or delivery of wheat at some later time; those who enter into them do not expect to make or to take delivery; added together these transactions would call for the disposal of much more wheat than the country can produce; and they are usually terminated by the setting-off of buying contracts against selling contracts, the differences being paid in money. Contracts of this nature are entered into daily on the Winnipeg Grain Exchange and are cleared in the clearing house, and the system of dealing in grain which permits of them is known as the futures trading system.

When, therefore, in the usual course of things the farmer sells his grain at the country railway point or later on after storing it and perhaps shipping it forward, the person paying for it is a trader in futures although he may also be engaged in some department of the grain handling or marketing business. The farmer is thus brought into contact with the futures trading system. For instance, the purchaser is in most cases a country elevator company. A short description of what takes place will illustrate the working of the system at its point of contact with the farmer. In buying wheat from a farmer to-day (March 15, 1938) the company must do so on the basis of cash wheat at Fort William, and protect itself from the risk of price change by selling an equal quantity of wheat for May delivery. But at this time there is a premium of $16\frac{1}{2}$ cents a bushel on No. 1 Northern cash wheat over the May future. The company must therefore sell its future at $16\frac{1}{2}$ cents less than it pays for the wheat. It expects that the two prices—cash and future—will maintain this relation until a buyer for the cash grain is found and the future disposed of. The future contract in these present circumstances is not so complete a protection as it is at times when no premium exists, because then the spread between the cash and the future prices is much closer, being made up mainly of the carrying charges. Nevertheless it affords a sufficient measure of protection to allow the companies to buy the producer's grain in the country on the basis of the cash premium price paid at Fort William, provided circumstances permit the grain to be brought to Fort William during the continuance of the premium position.

A READY MARKET

Whatever may be said in the long run of the merits or demerits of the futures trading system, it has this much to its advantage initially: that the producer can always find a purchaser who will take his grain and pay for it in cash. This is because the first purchaser knows that, if he does not need the wheat immediately, he can protect himself against the risk of carrying it by a resale on the futures market. And this sale by

the farmer and resale by the purchaser are made possible by the great disproportion which exists between the volume of transactions in bushels and the comparatively small quantity of grain produced. I have never heard of a case of a Canadian farmer being unable to sell his grain for cash on the basis of Winnipeg Grain Exchange prices (this does not imply that these prices have always been satisfactory). Even in the catastrophic autumn of 1929, the events of which will be discussed later, those farmers who chose to sell their wheat at Winnipeg market prices had no difficulty in doing so, although those prices were for several months much higher than usual in respect to Liverpool prices and were found eventually to be too high, the consequence being a great loss to those who did not sell. In thus stating this position of the individual farmer in the autumn of 1929, I am not overlooking the difficulties in selling for export that were met with by organizations holding large quantities of wheat at that time. I intend to discuss these difficulties later on when dealing with the position of the Pools.

SCOPE OF FUTURES TRADING

I think I should refrain on this occasion from entering upon a detailed description of the Winnipeg Grain Exchange and the mechanics of the trading upon that exchange. This subject was dealt with at some length in the 1923-24 report and again very completely in the 1931 report. The object of this inquiry does not call for a repetition of all the information supplied on those previous occasions but will best be attained, I think, by an examination of the criticism directed, on the inquiry, at the futures system of trading in grain in Canada, having regard to the interests of the producer; and this will involve, as the Order in Council requires, a study of the effect of this system, or method of marketing, upon the markets in which our grain is ultimately disposed of.

The Canadian grower of wheat and the overseas consumer of the commodity are separated by great distances; and the time differential between them is affected by the fact that the grower harvests in about two months a quantity of wheat that is intended for a year's consumption. It is said on behalf of the futures trading system that it ensures, at the least possible cost, a steady flow of wheat from the country elevator to the overseas mill; this by means of a succession of contracts whereby the price risk inherent in the factor of time is alternately assumed and passed on many times throughout the whole marketing process. This future trading system is practised in the case of many commodities besides grain. It is the modern substitution for the primitive method of direct dealing between producer and consumer at a price bargained for and dependent upon local considerations of supply and demand. Since the beginning of futures trading on the North American continent the number of commodities so dealt in has increased steadily. Thus Professor G. Wright Hoffman of the University of Pennsylvania, Consulting

Economist to the Grain Futures Administration in the United States says in his work on Future Trading at page 8:

"In the United States, future trading had its origin just prior to the Civil War in grain and pork products. Cotton followed in the latter part of the sixties, coffee in 1882, cottonseed oil in 1904 and raw sugar in 1914. Since the World War, a long list of products has been added including rubber, cocoa, eggs, butter, hides, silk, cottonseed and cottonseed meal, mill feeds, tin and copper. Classified by commodities, the list includes at the present time (1931) over twenty-five individual products; and the future markets for these commodities also number more than twenty-five. Their total volume of trading during the year 1929 amounted to approximately 42 billion dollars."

The above was written in 1931. Between then and 1935 silver, zinc, lead, canned goods, gasoline and crude oil were added to the list, and finally in 1936 a futures market for the soy bean was opened in the Chicago Board of Trade. The Canadian Commodity Exchange in Montreal established a futures market in silver in 1934 and in butter in 1935.

THE HEDGING PROCESS

As an illustration of practices in the futures market, I have referred to the case of the country elevator company buying wheat for cash from a farmer and simultaneously, or immediately afterwards, selling an equal quantity of wheat for future delivery. In the case I have given the company buys the wheat on March 15 and hopes to sell it at at least as good a price at Fort William, probably during March, but in the meantime endeavours to protect itself against the risk of a fall in price by contracting to sell an equal quantity of wheat for delivery in May. The company expects, on account of the intimate relationship which usually exists between cash and future prices, that if the price of cash wheat at Fort William falls the price of the May future will fall likewise; so that, if it loses on its cash wheat, it will cancel its futures contract to sell by buying May wheat at the lower price, thus taking a profit on its future transaction as an offset against its loss on the cash transaction. But if, on the other hand, the price of cash wheat goes up after March 15, any profit the elevator company would make on its purchase would probably be cancelled by a simultaneous rise in the price of the May future; because the company must cancel that future sale by buying in its contract or by delivering wheat sometime during May.

The practice followed by the elevator company in this case is known as "hedging." The company, having taken possession of a quantity of wheat which it must carry until resold, protects itself against loss by a futures sale. The hedging operation performed by the company in this case is the *selling*. But on the other hand a futures contract may be a

purchase by someone who wishes protection against a possible loss. Thus a miller who has sold a mill product ahead at a fixed price, or who must fix presently the selling price of a product he is now milling, may buy a futures wheat contract to protect himself against the rise in the price of his raw material. In this case the hedging operation consists in the buying.

The essence of hedging is that it puts aside speculation; it avoids the risk of loss through price change but at the same time it eliminates the chance of profit which a price change might otherwise bring. On the other hand, the person who owns a quantity of wheat, or a futures contract in wheat, and who holds for a rise thus running a risk of a loss, is not a hedger but a speculator. In describing the essence of hedging as I have just done, I am not losing sight of the fact that hedging may result in small losses or small gains according to the market used for hedging, to the time of the trading day when a hedge is put on, and to other technical considerations. Because care and skill are required in hedging as I shall have occasion to point out later on, and, on the whole, a company's hedging may be successful or unsuccessful. The fact remains, however, that the primary object of a hedge is to avoid a risk by giving up a chance of profit.

FARMERS PURCHASING FUTURES

Upon this point there is a case of frequent occurrence to which I think I should now make some reference. It is the case of the farmer who sells his grain in the fall for cash and then buys a May future for an equal quantity of grain. In certain statements I have heard and in certain articles I have read, this operation is described as a "hedge." But it is not a hedge; it is a speculation. The farmer's wheat is gone and is paid for; his risk in respect to it is over. In the new position he has assumed, the risk of loss runs side by side with the chance of profit. It may be said that he was speculating so long as he held his wheat unsold: but in that case he has merely exchanged one speculation for another. The point is that he is not hedging. I think it appropriate to refer to this inaccuracy of expression, because there seems to be a certain magic in the word "hedge," and its misuse may be dangerous to some.

HEDGING, A FORM OF INSURANCE

Hedging is a form of insurance, and the cost incidental to it represents the insurance premium. Charles O. Hardy of the Institute of Economics, Washington, says at page 223 of his work on "Risk and Risk-bearing":

"Since the hedging transaction involves some costs for commissions, taxes, interest on margins, etc., it is clear that the average result of a long series of such trades should normally be a slight loss, but this loss is regarded as a premium paid for insurance against the risk of such heavy losses in an unfavourable season, as would disrupt the business and prevent its continuance through

the long run, in which gains and losses from price changes could be expected to balance."

Hedging being then a form of insurance, it is necessary for our purposes to find out who the insurers are. It will be well to treat this question first in respect to the situation which exists in Western Canada in the fall, because this is the period which is of greatest interest to our producers. In a normal crop year probably 75 to 100 million bushels of wheat are delivered and sold by farmers to country elevator companies in the month of September and an equal quantity of wheat futures are sold by the companies at the same time. The buyers of the companies' future sales are the companies' insurers. In the first place these are buying hedgers: Canadian millers and exporters and overseas millers and importers. But these buying hedgers do not take up all the selling hedges. It has been found impossible to ascertain just what proportion of them they do take up, but it is probably less than one-half of the total. So, in the second place we have those buyers of futures who are not hedgers, who have no present or future wheat requirements, and who consequently are speculators, buying futures in the sole expectation of selling out at an advanced price. Whether these speculators win or lose in the long run, they have become, by buying, the insurers of those who have sold. They carry the risk until they sell. But, not being hedgers, they carry it without any balancing transaction on the opposite side of the market.

This is the position in the fall. At a later period of the crop year the situation is usually reversed. Then the person requiring to *buy* does not find enough sellers without the presence in the market of selling speculators.

AN EXAMPLE AT CHICAGO

The United States Grain Futures Administration made a survey of the position of accounts in the Chicago Board of Trade as of September 29, 1934, with a view to ascertaining the respective volume of hedging and of speculative transactions on that day. The result is summarized in a booklet issued by the United States Department of Agriculture (Ex. 146) at page 3:

"The distribution of the open contracts between the two basic trading classifications, i.e., speculative and hedging, as of September 29, 1934, showed the speculators predominantly on the long side of the market and the hedgers predominantly on the short side to the extent that 75·40 per cent of the long contracts in wheat were held by speculators, while 81·51 per cent of the short interest represented hedging. The situation in corn was substantially the same as that in wheat, with 73·86 per cent of the long contracts speculative and 79·25 per cent of the short contracts hedging."

INSURANCE AND SPECULATION

Economists seem to agree that insurance by way of hedging is a useful help to business in produce markets, but that it attracts speculation and

that, in the case at least of grain markets, the speculative element is necessary to its proper functioning. The matter is dealt with by both Hardy and Hoffman in their works already referred to. Hardy, at pages 59 and 60, discusses certain forms of insurance of a markedly speculative character of which he says that:

“They are as useful as any other type of insurance but that the device lends itself admirably to gambling and is often used for that purpose.”

He then proceeds to deal specifically with hedging:

“Very similar to the speculative type of insurance is the practice of hedging. This is the practice of making two contracts at about the same time of an opposite, though corresponding, nature—the one in the *trade* market and the other in the *speculative* market. The same possibility of using a contract either for the purpose of hedging a legitimate risk or for the purpose of creating a gambling risk which we saw in the Lloyd’s contracts arises in connection with these ‘future contracts’ on the produce exchanges” . . . “The whole machinery of the produce exchange finds its justification in the facilities which it affords for carrying on certain types of business with a minimum risk and consequently at a minimum cost. There is no question that it is sound business policy to make use of the hedging market wherever a hedging contract can be secured on reasonable terms, but the existence of a hedging market presupposes the existence of a group of speculators who are taking the risk off the business man’s shoulders, and there has as yet been found no way to keep these contracts from being bought and sold in a purely gambling spirit.”

And Hoffman at page 417 says:

“The data compiled by the Grain Futures Administration as well as that of the Millers’ National Federation, shown in Table 28, throw considerable light upon the question of whether a future market could be maintained which permitted only transactions growing out of cash grain operations. Such a market would clearly be handicapped in periods when hedging interests were either largely long of the future market or largely short. And one or the other of these situations prevails most of the time. It should further be observed that hedging positions change relatively slowly so that the amount of buying and selling which hedgers do each day is comparatively small. A future market composed purely of hedging operations would in all likelihood encounter considerable difficulty in timing its trading so that the buyers could find sellers and sellers buyers. It is sometimes suggested that in addition to hedging operations, speculators be permitted to enter the long side of the market but not the short side. This would be a material aid to those interests

(mainly elevator concerns) and for those seasons requiring large short hedge positions. It would also improve the continuous character of the market compared to one devoid of speculative interest. But it would not supply the needs of hedgers requiring a long position such as millers, nor would it supply a balanced market to the same degree as supplied where equal opportunity is afforded to enter either the long or the short side."

THE IMPORTANCE OF SPECULATION

It seems abundantly clear from the foregoing statements and from all the evidence I have heard on the subject that business on the Chicago Board of Trade would be seriously handicapped, if not wholly dislocated, by the elimination of speculative buying and selling (or even by the elimination of only speculative selling) in the market.

I am convinced by the evidence that the presence of speculators in the Winnipeg futures market is just as essential to the proper functioning of that market as is the case in Chicago. The volume of their transactions may not be as great, and on this point there is no definite evidence, but experience has shown that in Winnipeg if the speculator is away the market is in difficulties.

This is only to be expected when consideration is given, for instance, to the great amount of selling hedging that must be done by the elevator companies in the fall, much greater in volume than the quantity of wheat required at that time by millers, merchants and exporters. The absence of the speculator would then endanger prices. This was admitted to be the case by members of the trade and the representative of the Pools who appeared, in July, 1931, before the Select Standing Committee of the House of Commons on Agriculture and Colonization. The proposal then was that the Government should take some action to help the market in view of the speculators' absence. Speaking of the then existing Canadian wheat surplus, Mr. Sidney T. Smith, representing the Winnipeg Grain Exchange, said: (Ex. 171.)

"We have been working it off but not as well as we might because of the business speculators who have been referred to. They are not buying as in other years."

Later on he said: "The trend of speculation is at a much lower volume than formerly." The following evidence given by Mr. Andrew Cairns, representative of the Pools, is interesting on this point:

"If you buy the grain or allow them the alternative to go on the open market, you will have to hedge it, and the pressure will still be on the market. You have to provide some means, some body, or some power for assuming the risk of the difference between the amount of wheat offered, and taken. In normal years the speculators perform that function; this year they are dead; and

somebody has to step in and perform that risk and Western Canada feels that the most economic and the most satisfactory way of handling it is through some form of Dominion financing and co-operation.

Mr. SHAVER: You say the speculator performs that function. That is interesting to me as an easterner. I remember, if I got the impression correctly, at the time the Wheat Pool was formed, statements were made that instead of the money going into the pockets of the farmers of the west, it went into the pockets of speculators. It was largely to do away with speculation that the pool was formed. Now, you make the statement that one of the determining factors is the lack of speculation; so do you mean that the speculator has his uses?

Mr. CAIRNS: Under the existing system, he certainly has a very important function to perform. Many farmers in Western Canada believe that that system is unsound; that a better one can be performed; but unless you have complete co-operation, or some means whereby all the farmers will carry their own risk I believe it is to the farmers' benefit to do it. As long as you have the present method of marketing, speculation is a very necessary element in the existing system and its absence is certainly to be regretted."

Giving evidence before the Stamp Commission on April 21, 1931, Mr. Cairns presented a statement on behalf of the Pools (Ex. 221) in which the following is found at page 6:

"We do not for a moment contend that the present extremely low price of wheat is due to the system of futures trading, as we are well aware of the many important factors, each of which is partly responsible for present deplorable prices. The undoubted excess of supply over effective demand, the very severe world-wide economic depression, extremely high tariffs, milling restrictions, the uncertainty regarding Russia and other factors all have an important bearing on the problem. We contend that an additional contributory factor to the present ruinous prices is the failure of the institution of speculation to assume anything like the risk carrying function so commonly attributed to it. Following the speculative debacle of 1929-30 which carried prices far too high, the general public has lost enormous sums of money, and confidence as well, and are not at present in the market with sufficient resources to carry the risk of price fluctuation by buying hedges and whatever contracts may be offered by short sellers. Consequently, we have had a situation lately where more wheat was offered for sale than there was consumptive or speculative investment demand to absorb, without sharp recessions in price."

This statement is to the effect that the presence of the buying speculator is an important factor in the market and tends to keep prices up. There is a "risk-carrying function" to be performed and the speculator is a neces-

sary party to its proper performance. It must be remembered that, at the time Mr. Cairns made the two above-quoted statements, the Pools had cancelled their pool contracts and were carrying on the small voluntary selling pools referred to in Chapter III.

As to the importance of the speculative element on the Winnipeg Grain Exchange, Mr. W. J. Dowler, President of the Exchange expressed the following opinion:

"My Lord, I thought that I had been very clear in my statement the other day on this point, which was that the buying in our market, the large percentage of the buying in our market comes from people who are merchandisers and who really want the wheat, and the speculation in it has been over-emphasized, that the speculation in our market is not nearly as extensive as it is in the Chicago market; and that, of that speculation, there is undoubtedly some of the smaller element, but there is also an element of people who study the market and go into it for investment purposes."

Mr. A. E. Darby, Secretary of the Winnipeg Grain Exchange, had this to say:

"Q. Would you say that the speculator as a general rule is the person who carries the hedges?

A. No, I would say that the speculator takes up the slack between the selling and the buying hedges to the extent to which it is necessary to do so, which may vary considerably from time to time.

Q. You used the expression, which I think you took from Professor Clark, when you were giving your evidence the first day, of the enormous pressure of hedging operations during the time of the delivery of the Canadian crop in the fall?

A. Yes, I think that the selling hedges are heaviest then.

Q. That pressure is supported usually, or generally, by the speculator, is it not?

A. It is supported by the buying factors in the market.

Q. And that is as far as you can go?

A. I admit quite frankly there is a considerable factor in the buying in the market that is speculative, otherwise I wouldn't be able to support my position that the speculator performs a useful economic service."

WHO ARE THE SPECULATORS?

Just a word as to those who are referred to as speculators. Some of them may be persons engaged in one or another of the departments of the grain trade whose business supplies them with information upon domestic and world conditions in their relation to wheat values; others are persons who, without being in the grain trade, apply themselves to a study of this

same sort of information with a view to forming a judgment upon probabilities for the future; others, finally, are those who are ignorant of basic factors and who act hastily, under the influence of what has been described as "an inferior quality of street gossip substituted for worth-while information." Experience seems to show that this last class is usually composed of optimists who go into the market on the buying side, often in great numbers; and that they usually lose, either because they make a bad guess at the start or because they do not know when to stop.

All of these speculators are divided into two groups by those who deal with the subject of speculation in commodities: (1) the *competent* speculator who is said to assist in fixing true market prices and (2) the *incompetent* speculator who acts on impulse and at great risk to himself because of his lack, not only of knowledge, but of capital, and whose transactions tend to disturb the price structure. Of these so-called competent speculators, some are buyers at the same time as others are sellers. It may no doubt be said that a person of good judgment who has taken the time and trouble to inform himself, and who moreover may have another subsisting commitment to consider, may think it in his interest to buy at a time when another person, similarly qualified, may think he can better his position by selling. When they act simultaneously, the one as a buyer at a price and the other as a seller at the same price, their operation may be compared to that of "the buyer who is not compelled to buy" dealing with "a seller who is not compelled to sell," whose transaction in some legal systems is said to *determine* the fair *present* value of the property transferred. Their transactions, having regard to their qualifications, may indicate to observers that neither of them can be far wrong, so that, for the near future, at least, the upward or downward movement away from the price registered by them will not be great. The position of mere "guessers" is very different. Their presence in the market in large numbers, either as buyers or sellers (and they appear usually to be nearly all on the same side at the same time), is one of the factors which the *competent* speculator has to consider when making up his mind as to true values. In the long run their transactions tend to disturb and mislead, although they may momentarily improve prices for those who have wheat to sell. They also afford opportunities to the more competent speculators to make money at their expense. They may be said to disturb the market, for instance, when they carry local prices so high that export sales, based upon the futures market, are rendered difficult or impossible.

EFFECTS OF SPECULATION

In considering the value to the market of speculators' transactions it must be remembered that when one sells and another buys, at the same price, it does not follow that one must lose and the other gain. On the contrary, having regard to their respective market positions at the time, both may be winners or both may be losers.

It must also be remembered that those who carry their own grain, at their own risk, unsold, are likewise, in a sense, speculators, although they are not usually placed in either of the two groups I have been discussing. These may be farmers, trading organizations, such as country elevator companies who sometimes do this, although only very rarely, or marketing organizations such as Pools. They may be more or less competent. By refraining from selling, at least in large quantities, these carriers sometimes seek to prevent a depression in prices. It does not follow that they always gain or always lose by this practice, nor does it follow that the speculator who buys from them or, to state the case more accurately, who buys at the same time that they sell and at the same price, is thereby bound to make a loss.

In the much discussed case of *Board of Trade of Chicago vs. Christie Grain and Stock Co.*, 198 U.S.R. 236, the Supreme Court of the United States expressed the considered, unanimous opinion that transactions by competent speculators are beneficial:

"Of course, in a modern market contracts are not confined to sales for immediate delivery. People will endeavour to forecast the future and to make agreements according to their prophecy. Speculation of this kind by competent men is the self-adjustment of society to the probable. Its value is well known as a means of avoiding or mitigating catastrophes, equalizing prices and providing for periods of want. It is true that the success of the strong induces imitation by the weak, and that incompetent persons bring themselves to ruin by undertaking to speculate in their turn."

MANIPULATION

In addition to the market activities which consist of buying or selling in order to hedge other transactions or because the trader or speculator believes that, having regard to conditions and prospects and his own present position, prices are now at a proper level for buying or selling, as the case may be, there is another form of activity known as manipulation. I have already referred to this in giving the case of those who buy or sell in order to influence the market itself by producing a rise or a fall in prices, sometimes by inducing others, by means of a false activity, to buy or to sell. Speaking of manipulation, Hardy says:

"Manipulation is only possible through large scale operations, and the number of people who can engage in it is comparatively small, though, by pooling their capital and entrusting the management of their campaign to a single manager, a group of individuals can influence the market as much as a single operator owning much larger capital."

Sometimes buying manipulation is directed to the creation of a "corner" or a "squeeze." The danger of this sort of manipulation in wheat is greatly

lessened by the rule of the Winnipeg Grain Exchange (and, I am told, of all grain exchanges) which, in the case of futures trading, gives the seller the option of the day in the delivery month on which he will deliver, if necessary or advisable, and the grade of wheat he will deliver, whether No. 1 Hard, or Nos. 1, 2 or 3 Northern, the last two grades being deliverable at a discount in the price. In the United States, the Commodity Exchange Act confers upon the Commodity Exchange Administration power to make rules intended further to eliminate the dangers of corners and squeezes. I received no evidence of anything having taken place in the Winnipeg market in the nature of a corner or squeeze in wheat, excepting the case which occurred during the war, in the Spring of 1917, when, owing to damage caused by rust to the 1916 crop, the buyers for the United Kingdom and allied countries found themselves in a position, through their purchase of May and July futures, to call for much more wheat of the contract grades than was available and were unwilling to take wheat of lower grades at a discount.

The record in respect to coarse grains is not quite so clear. There was a movement in rye in June and July, 1937, which, in my opinion, was caused by a squeeze by long buyers. From about June 18 to July 30 (the last delivery day) the July future prices and the cash prices for No. 2 C.W. ran upwards together from about \$1.11 to \$1.60. On the 31st, the cash price fell 65½ cents to 94¾ cents while the July future went off the board at \$1.62½. The records of country deliveries and shipments show that the greater part of the benefit of this rise went to the elevator companies and not to the producers. A similar price movement in barley, though on a smaller scale, occurred in December, 1936. The Winnipeg cash price of No. 3 C.W. barley rose from 64¾ cents on December 1 to 91¼ cents on December 30 and fell the next day to 77½ cents. In this case, however, the rise in price and subsequent sharp drop appear to have occurred mainly through the existence of a demand for good malting barley in Canada and in the United States at that time. Traders with selling commitments treated the barley in their hands so as to qualify it for the higher price of malting barley and so ran short of No. 3 C.W. barley to deliver on their futures sales, and had to buy in large quantities before the end of December.

One of the reasons why the producers secured a relatively small proportion of the advantage of the price increase in rye in June and July, 1937, and in barley in December, 1936, is the distance from the country point to Fort William. In each case the urgency of the demand was for grain in store at Fort William before the end of the month. But rye and barley cannot be handled for shipment as rapidly as wheat. I was told that the 12th of the delivery month is the last day, at a point of average distance, for shipment to and delivery at Fort William before the end of the month.

Speaking generally of manipulative practices, the belief is expressed by those who speak for the Winnipeg Grain Exchange that if they exist

here at all it must be on a much smaller scale than in the United States. But the means of obtaining reasonably conclusive evidence on the question, one way or the other, still does not exist. On this point I find myself back again to the position expressed by the Stamp Commission of 1931, where the following statement is made at page 60 of their report:

"There is no doubt whatever that a feeling is prevalent amongst many farmers that someone is making money at their expense unfairly by inside knowledge, manipulation and undesirable practices. Nothing was given in evidence of a practical or satisfactory character as to what it actually is that is done or how it is done, and in that respect we share the experience of the Turgeon Commission.

"But we cannot claim to have been able to satisfy ourselves conclusively as to the impossibility of such practices existing."

THE FUTURES MARKET AND PRICE FLUCTUATIONS

Among the charges made against the system of futures trading there are two that now require attention. These are (1) that futures trading produces, or accentuates, price fluctuations, sometimes referred to as price * instability, and (2) that the cost of the system is borne by the producer.

The subject of fluctuations was dealt with fully and minutely in the Stamp Commission report at pages 68 and 69. There, fluctuations are divided into three classes: (1) long period major trends of price wherein grain is related to all other commodities; (2) major fluctuations in price extending from year to year and from quarter to quarter; and (3) minor short period (daily and hourly) oscillations running round about the major fluctuations of class (2). The report finds as to class (1), that futures trading has no effect on them; as to class (2) that it lessens them, helps stability and thereby makes the producer's position more stable and secure; as to class (3), that it probably increases them, but that whatever disadvantage these oscillations may produce is less than the advantages produced by the fluctuations of class (2).

It was asserted before me by some that these fluctuations, and more especially the daily and hourly "oscillations," are annoying and disappointing to the producer, and that he would feel better if he were rid of them even if his net return were somewhat lower. I doubt whether the accuracy of this assertion would be supported if it could be put to the test, that is, if some method could be devised whereby, fluctuations and oscillations being abolished, it could be demonstrated to the producer that his net return was lower than before. I have difficulty in believing that such a result would be accepted as altogether satisfactory. However, since fluctuations in themselves, and regardless of their effect, appear to be looked upon with disfavour, and since they accompany the system of futures trading, I have looked around to see whether any other system offers freedom from them. For this purpose I have inquired into the situation regarding (1) wheat marketing in Canada before the beginning

of futures trading in 1904 (2) the situation in Australia to-day where there is no futures market, and (3) the situation respecting other primary products which are not dealt with in futures trading.

In the appendix to this report appropriate tables and a chart will be found which illustrate the situation in the three cases.

In respect to wheat marketing in Canada before and after the introduction here of futures trading, I have given the information (Appendix III a and b) in the only form in which it is now possible to give it. The years cited are from 1890-1891 to 1913-1914. In the case of Liverpool and Chicago the figures throughout show the average monthly price. This is also done in the case of Canada from 1905-06 onward. But the Canadian figures for the earlier years are the registered prices on the first day of each month, the only ones now available. The tables, of course, speak for themselves. The result seems to show that month to month fluctuations in Canada have not been substantially different between the two periods. The question, what daily or hourly fluctuations took place in Canada before 1904 cannot be answered now.

The figures of comparison between Australian and Canadian wheat prices are subject to this remark, that in the case of Australia the only information at hand concerning domestic prices is the price paid at Melbourne by exporters to producers, producers' organizations and traders who bring wheat to that port for sale. The table includes domestic prices for wheat grown in Great Britain. The figures indicate sixteen-year averages from 1921-22 to 1936-37. The table (Appendix IV) shows fluctuations in domestic prices to be smaller at Melbourne than at Winnipeg. It also shows that the Liverpool variations are somewhat less in respect to Australian than to Canadian wheat. This table is taken from an article in *Wheat Studies* of the Food Research Institute of Stanford University, California, Vol. 14, October, 1937. Referring to the table, the writer of the article, Mr. Holbrook Working, says:

"Toward one extreme stand prices of Australian wheat, with an average seasonal variation less than that of Canadian wheat and an average course very peculiarly related to the timing of the harvest. Toward another extreme stand prices of British domestic wheat, with an average seasonal variation greater than that of Canadian wheat despite the relatively moderate variation in rate of marketing of British wheat, and an average course suggesting that the system under which the wheat is marketed rather imperfectly meets the very modest requirements placed upon it."

In the appendix (V a and b) will also be found a tabulation, covering the period between 1929 and 1937, showing price spreads and adjustments in the case, besides wheat, of steers, hogs, butter, cheese, hay and eggs. There is no futures market in Canada for any of these other products excepting butter. The periods are of long range. All these commodities have been subject to price fluctuations in various degrees, the most pronounced being in eggs and the next in wheat.

SEASONAL VARIATIONS IN WHEAT PRICES

I think this is the time, while I am dealing with price fluctuations, to take up the much debated question of fall and spring prices for Canadian wheat. Two extracts from the above mentioned article in *Wheat Studies* will serve to throw light upon the problem of comparisons which I have just left and this next one of seasonal spreads. In describing the characteristics of the Canadian wheat marketing process, the author says:

"The Canadian record is one peculiarly worthy of study. The wheat crop of the Canadian prairies is marketed with great rapidity. Three-fourths of a normal crop in the Dominion cannot find local markets, but must be moved into export channels. The harvest comes at the time when wheat supplies for the world as a whole are at their seasonal maximum. For markets to absorb heavy deliveries at this season is much more difficult than for them to absorb the heavy deliveries from Argentina—also notable for extraordinarily rapid marketing—since Argentine supplies reach import markets opportunely in a period that would otherwise be one of relative seasonal scarcity. Furthermore, the export wheats of Canada possess special milling characteristics requiring, for their most effective utilization, that Canadian wheat be fed into consumption more or less uniformly throughout the year. These conditions subject the Canadian marketing system to an extreme strain. They afford a test that is perhaps not representative, but one that is at least peculiarly fitted to reveal weaknesses in the system."

The second extract is directly pertinent to the question of our fall and spring prices, and the author's opinion is well worth having:

"The Winnipeg price tends to decline relative to Liverpool early in the marketing season under the pressure of adjustments necessary to permit a rapid export movement. The occurrence of such price adjustments is perhaps not an indication that the rapid country marketing leads to undue price depression and an excessive rate of export; but rather that the Winnipeg price tends to be somewhat too high at the beginning of the season, and to fall into an appropriate relation to Liverpool only as the requirements of the situation are clarified in the course of meeting them. There are, nevertheless, certain small price effects that appear rather directly related to the rate of country marketing. They seem to reflect an influence of hedging pressure on the Winnipeg futures market."

In Appendix VI will be found a memorandum on this fall-spring price question giving a review and compilation of the best obtainable information. The problem is an extremely difficult one to solve with definiteness, but the following conclusions are reached:

1. There is an autumn decline, in relation to the previous summer, in both cash and futures prices, and a co-related rise which occurs chiefly in the following May or July, and sometimes in both these months.

2. Considered by themselves, cash prices do not indicate variations over the year as a whole greater than would be expected to be caused by mounting carrying charges, although the rise in prices which sometimes occurs between May and July indicates that other influences are also at work.

3. The course of futures prices, however, gives evidence of a tendency towards at least one and sometimes two periods of pronounced speculative price rises, almost always in May and/or July, and this speculative influence also accounts for a part of the rise in cash prices.

4. The decline in all prices in the autumn appears to be chiefly a recession from previous rises; but in the case of cash prices, at least part of such recession is natural in view of the change from old crop to new crop.

THE COST OF FUTURES TRADING

I now come to the objection that the cost of futures trading is borne by the producer. The experience of the spring and summer of 1931, to which I have already referred, shows that in the opinion of all those who were heard in July of that year before the Committee of the House of Commons, the insurance system had weakened and prices were insecure, because the speculator was absent. This attitude, by the way, supported the statement of Professor Seligman in "Economic Principles," where he says that:

"the selling of futures, far from depressing the price after harvest, really tends to spread the supply over a long period, and thus to check the tremendous fall in prices which would inevitably take place in the autumn."

(Provided, of course, somebody is there ready to buy.) But this active trading in wheat, necessary to the maintenance of prices, and the absence of which was complained of in 1931, can go on only by the making of a great number of futures contracts, dealing in the aggregate with many more bushels of wheat than the country provides, and entered into with the expectation of being cancelled by offset before maturity. This excess of the aggregate trading over actual production is sometimes referred to unfavourably as "wind bushels." Admittedly it supports prices. But who pays for it? If the producer does, he is no better off.

The question is one which, so far as I can find, has never been probed scientifically with a view to reaching a demonstrable solution. Perhaps it is capable of such a solution. Futures trading takes the form of hedging, mainly by elevator companies, exporters, millers, merchants, etc., and of speculation by so-called "competent" and "incompetent" speculators. Both hedgers and speculators contribute to the fixing of prices.

From all I have heard and read on the subject of "who pays the costs?" it seems to me that the most likely answer to the question is that the cost of some of the *hedging* is charged to the producer (for instance the country elevator's hedging costs), and that of some of it to the consumer; but that the whole of the cost of *speculation* is borne by neither the producer nor the consumer but by the speculators themselves. This is the opinion held, for instance, by Dr. J. W. T. Duvel, Chief of the Grain Futures Administration,* Department of Agriculture, Washington. Giving evidence in 1935 before the Farmers' National Grain Dealers' Association Commission, Dr. Duvel said:

"Q. In the final analysis who pays the commission charge for hedging?"

"A. The commission charge for hedging comes out of the cost of the grain, either the producer or the consumer has to pay it."

And later on he says:

"Q. Then you do not agree with the statement sometimes made that the farmer receives less for the grain because he must pay the commission charges on the large amount of future trading?"

"A. No, that comes out of the speculator. The speculator pays it. I might add, there are two factors involved in the question of marketing grain, that is, the cost from the standpoint of the merchandising of grain, and the cost to society as a whole. Now we try to stay away from that last part. Nobody knows what the cost to society as a whole is, but we do know that if added to the cost of merchandising the grain it would come up pretty high. That's an entirely different issue. I say that because the majority of people who speculate in the grain market lose their money. Were you to add all of these losses to the cost of merchandising we might be able to believe that we have intelligence enough in this country to find a better and cheaper way."

Dr. Duvel's statement serves to call attention to the social and ethical aspect of speculation in the grain futures market. Of course, all insurance involves the assumption of a risk in the hope of a profit. Fire insurance, hail insurance, etc., require knowledge and care on the part of the insurers, otherwise losses will occur and perhaps failure. The question whether moral condemnation should be visited upon those who, having capital to employ, choose to employ it in buying and selling grain futures, and who endeavour to qualify themselves for success by study and investigation, is one I am not called upon to decide. Incidentally, these people are insurers; only incidentally (not in the manner of fire insurers, hail insurers, etc.), but nevertheless effectively. Their transactions also help to stabilize prices—according at least, to the evidence I have already referred to—insofar as they are buyers in the market when buying hedgers are not present

* Now the Commodity Exchange Administration.

in sufficient numbers, and sellers later on when selling hedgers are too few. Those whom I may term "incompetent" speculators also contribute to the insurance of the grain trade, again only incidentally (and no doubt quite unconsciously), but still effectively. Their contribution to the price structure is not sound, as I have already said, although when present in large numbers as buyers in the fall months they are of help to the producer. Those of this second, "incompetent" class usually bring loss upon themselves and very often they are not financially able to bear the loss without suffering.

Whether, and to what extent, society is injured, morally or financially, by speculation in futures markets, is a question that was not discussed before me although some witnesses did denounce it as a species of gambling, and immoral. Whether or not one approves of the practice, the fact remains that the speculator occupies an important position in our present marketing system. And opinions may differ as to the quality of his operations. Mr. Darby, Secretary of the Winnipeg Grain Exchange, believes that "the speculator (he probably means the 'competent' speculator) performs a useful economic service," and he is not alone in thinking this. Certainly the speculator's absence was deplored in 1931 and afterwards, and raised a demand for some other price-supporting machinery to take his place. It may be that Dr. Duvel, in making the statement above quoted, had in mind only some purely financial loss which he believes society suffers through this sort of speculation, and that he did not intend to broach the ethical side of the case. The rest of his examination does not make this altogether clear. However, he does say that while he mentions this aspect of the question, he does so

"because the majority of people who speculate in the grain market lose their money."

Moreover, Dr. Duvel does not suggest what other system, if any, might be set up to take the place of the present one.

One test which has been used to show that the cost of speculation does not fall upon the producer is the measurement of the margin which exists between the price paid to the producer in western Canada and that paid by the consumer in Europe. A calculation from Exhibit 6 shows that the cost of shipping a bushel of wheat from an average western point to Liverpool in 1935 was 30·5 cents per bushel, so that a shipment of wheat purchased from the farmer at 100 cents a bushel would cost 130·5 cents on arriving in Liverpool and presumably could not be sold there for less than that price. But the evidence shows that in reality the difference between the producer price and the consumer price is less than the sum of the former and the cost of handling, storing and transporting. (See also pages 60 and 61.)

The opinion of those who have studied this question is that the lessening of the spread between producer and consumer is brought about in the main by the speculator and at his expense. This is found, for

instance, in the evidence of Dr. Alonzo Taylor, Director emeritus of the Food Research Institute of Leland Stanford University. The gist of his evidence is that speculation narrows the spread, and that the benefit goes mainly to the producer or the consumer according to the bargaining position of the parties at the time: a short crop strengthens the position of the producer and a large crop that of the consumer. The witness was being examined on this point by Mr. Milliken:

"WITNESS: My interpretation is that the total effect of the operations of these speculators in Chicago, called gamblers, is to narrow the spread, and the consumer gets his share of it.

"Q. Is not this the truth of the matter, that when there is a large crop the consumer will get practically all of the narrowing spread?

"A. Naturally.

"Q. When there is a short crop the producer will get the bigger part of it?

"A. Certainly."

It must be remembered that, among those who become speculators in the futures market and thus, whether or not they are acting wisely or ethically, contribute at their own expense to the support of the futures trading marketing and price determining system, are to be included those producers who got into the market themselves as buyers or sellers of futures. I believe by the evidence that they do this in large numbers, particularly in the fall, and usually as buyers.

I said at the beginning that no positive demonstration as to the incidence of the cost of futures trading including speculation, has yet been found; all we have on the question being opinions based upon certain calculations. However, I must say that I have no difficulty in agreeing with these opinions. I can quite understand that those who are in the market as hedging traders add the cost of their operations to the commodity they handle, because they are actual dealers in physical wheat. They pass it on, backwards or forwards. On the other hand it seems to me that those (speculators) who never handle wheat, who neither buy nor sell it as an actual commodity, but who stand by, study conditions, watch market movements, and then go in and out merely as makers of contracts which they never execute except by set-off, are in a different position. In addition to their costs, such as brokerage charges, these people have actual losses or actual profits. Those profits they take out of the market; the losses, they pay in. The only other people in the futures market are the hedgers. Profits taken out by speculators must make business more expensive for the hedgers and consequently, by reason of the "passing on," for those with whom they deal,—producers and consumers. But, on the other side of the case, speculators' losses remaining in the market lessen the hedgers' expenses, and this benefit is again "passed on" to the producer and consumer, by reason partly, at least, of the competition of hedging traders among them-

selves. Experience seems to show that in the long run speculators, as a body, lose. This final result of speculative loss helps to make business easier for the hedging trader and is consequently, of benefit to the producer and the consumer. The trader who hedges takes advantage, according to his means and ability, of all the incidents of the market and he must compete with others to get his share of the business.

That there is skill in hedging and that the factors which better each hedger's position allow of competition among them all to the benefit sometimes of the producer, sometimes of the consumer, and sometimes to both at once, is apparent from the information gathered upon this inquiry. Dr. D. A. McGibbon says of hedging in "The Canadian Grain Trade" at page 308:

"It is a task that calls for unremitting alertness and experience in the grain trade. There is a common saying in the trade that a company will make money or lose it according to the skill with which it places its hedges."

This question of what becomes of hedgers' profits is dealt with by Professor Hoffman at page 409:

"It is a question, however, in a commodity in which hedging is the general practice, whether this increased profit has continued to redound to the benefit of hedgers. It seems more likely that through the force of competition the margin between purchase and sales prices has been reduced in proportion to the lower handling costs and that this initial benefit has long since been passed on either in the form of a lower price to the consumer or a higher price to the producer. Studies which have been made of the margin of gross profit per unit of commodity handled by grain and cotton merchants tend to substantiate this view."

In London the following statement was made to us:

"It is our considered opinion that the average daily price at which Canadian wheat is sold in Europe is lower than the average daily price registered in the Winnipeg Market, indicating that the Canadian grower by the existing system is getting a higher price than the c.i.f. parity of the same day. In other words, his wheat is marketed in the consuming countries without any charge to him."

This statement was then amplified:

"Q. Could anyone amplify that just a little? It seems to us peculiar that the average daily price at which Canadian wheat is sold in Europe is lower than the average daily price registered in the Winnipeg market?

"A. It is definitely so. I think the best way to approach the subject is to give an example of, say, the last six or seven months. Anybody, for instance, who carried his hedges against cash grain in Winnipeg on the Chicago market in the last six months would

obviously be in a position to undercut the selling price of any other trader who carried his hedges in the Winnipeg market. There is always, at some time, somebody who is right; he has got his exchange right; he has got his freight right, and he has a successful spread, or he wants to sell short or long and he has got a profit which he wants to cash. If twenty different people set out to move a load of wheat from the Canadian prairies, there are twenty different ways in which they can do it. It depends entirely on the outlook and the mentality of the particular individual who begins the operation. I am sure that the statement cannot be challenged; it can be checked. The average price, not only of Canadian wheat, but of all North American wheat sold here is, as a rule, a less average price than the average of the day's price in Winnipeg."

In my opinion, the result of this inquiry into speculation and hedging is to show by reasonable inference: (1) that speculators' costs are paid by themselves, while hedgers' costs are charged against the grain; (2) that in the aggregate the speculators are losers and therefore make a money contribution to the market where the only other operators are the hedgers; (3) that whatever benefit the market receives through speculators' losses is passed on to the producers and consumers mainly as a result of the competition among themselves of the hedgers as traders.

CHAPTER V

DEMANDS FOR A CHANGE, 1920 TO 1923

I have endeavoured, so far, to describe the nature of the futures trading system and its mode of operation in respect to Canadian grain. It is a system which provides a ready market for the producer and effects the delivery of his grain in overseas markets at a low cost. The contribution of futures trading to the low cost consists of the factor of price insurance which it furnishes to all those who deal in the commodity between the farmer and the consumer; and the low cost itself is indicated by the narrowness of the spread which is found to exist between producer and consumer.

A most interesting thing about the futures market, as I have dealt with it so far, is the presence there of the speculator. Those who favour the system admit that his presence is necessary and they welcome it on the ground, as Mr. Darby says, that "he performs a useful economic service." Those who, like the Wheat Pools in their submission, oppose the futures trading system, recognize, as the Pools did before the Stamp Commission and before the Committee of the House of Commons in 1931, that the system cannot function properly without the speculator or somebody to take his place. The system itself may be deficient in their view but it is worse without the speculator. Traders buying cash wheat, or hedging sales or purchases in future months, if left to themselves, could not ensure a satisfactory market. They would not provide enough buyers in the fall or enough sellers in the later months of the crop year. The net result would be unreasonably low prices to the producer. On the other hand, it is the presence of the speculator in our market that seems, more than anything else, to arouse antagonism to the system.

I may say at once that all those who now ask for the abolition in Canada of futures trading in grain, have but one alternative marketing system to suggest: a national marketing board, created and supported financially by the government of Canada, charged with the duty of disposing of the whole of the western wheat crop. But, before discussing this alternative proposal, or other proposals which are more in the nature of half measures, it will be well to examine the merits, and possible demerits, of the various other methods of marketing we have had at different times, with a view to seeing what lessons they may hold for the future. These various methods have all been referred to summarily and chronologically in chapter three. They are: the open market without futures trading in Winnipeg, the condition which existed up to the first few years of the present century and to which I shall have occasion to refer later on; the Board of Grain Supervisors of Canada, 1917; the Canadian Wheat Board of 1919; the Wheat Pools, 1923 to 1930; the price

stabilization proceedings, 1931 to 1935; and the Canadian Wheat Board, 1935 and onwards.

There is little to be learned from the character and operations of the Board of Grain Supervisors. The Board was created on account of war conditions then prevailing. It bought the producers' grain outright and resold it to the Wheat Export Company, a British Government body buying for Great Britain and her allies. This Wheat Export Company was an agency of the British Royal Commission on Wheat Supplies. During its existence the Winnipeg and the Liverpool futures markets were closed.

The Canadian Wheat Board of 1919 also operated in conditions which were abnormal. The Order in Council which created it stated that "it does not appear that there will exist in importing countries . . . any organized buying at fixed prices such as prevailed in recent years nor any open and stable market of the character that obtained prior to the war." As it turned out, the overseas buying *was* organized by governments, though not at fixed prices, but the "open and stable market of the character that obtained prior to the war" did not exist, the Liverpool and Winnipeg Exchanges again being closed. As to Liverpool, I may add that its futures market for wheat and maize closed on August 1, 1914, reopening for maize on March 15, 1920, and for wheat on April 18, 1921. No other grain markets were open in Great Britain during this time. The buying for Great Britain, France and Italy was again done by the Royal Commission on Wheat Supplies, while in the case of Belgium, Holland, Denmark, Sweden and Norway, each of the governments controlled the buying.

Under both these boards there was no problem of finding markets. There was a full demand for our wheat and our wheat-growing area, even in 1919, was about seven million acres less than it is today.

The Canadian Wheat Board of 1919 ceased to function after disposing of the 1919 crop and paying a uniform price of \$2.63 for No. 1 Northern wheat. Subsequent crops, before the establishment of the Pools, were handled through the open market, in the same manner as before the war. On August 18, 1920, trading reopened on the Winnipeg Grain Exchange, and the cash price on the first day was \$2.73½. It remained near this level for about a month. But, with the disappearance of the war and immediate post-war urgent export demand, the price fell rapidly and persistently to \$1.60½ on April 15, 1921. After a temporary rise during the summer, the decline was resumed and a low point of \$1.02 was reached on November 3. During 1921-22 there was another rise and fall, and by the middle of September, 1922, the price dropped below \$1 for the first time since 1915. The prices of other primary products reacted similarly during this general deflationary period.

The Wheat Board had not originally been received with favour, but the high prices which it had paid, and the drastic decline in prices after its termination, led to strong agitation for its re-establishment.

Towards the end of the 1920 session, Parliament passed an act empowering the Government to continue the Board, but on July 16th it

was announced that, since the factors which had influenced the Government in creating the Wheat Board no longer existed, the Board would not handle the 1920 crop. In November of that year the Saskatchewan Legislature passed a resolution declaring that the reopening of the Grain Exchanges at home and abroad was primarily responsible for the sudden decline in the price of wheat, and asking the Federal Government to re-establish the Wheat Board to market the balance of the 1920 crop.

Here it may be pointed out that a guaranteed price was not a part of the Canadian Wheat Board Act at this time; that the initial payment which the Board could have paid would, in order to be safe, have had to be very much less than the price of the previous year; and that, inasmuch as wheat prices all over the world declined throughout most of 1920-21, it is extremely doubtful whether a Board could have realized a price as great as that obtained by farmers who sold for cash in the open market in the autumn of 1920.

The Canadian Council of Agriculture, at a meeting at Winnipeg on October 22, 1920, passed a resolution urging the reappointment of the Board. It recognized, however, that compulsory marketing through a Government Board was justifiable only as a temporary emergency measure. In all the resolutions of various farmers' organizations, from 1920 to 1923, the request is merely for a Board as a temporary measure, usually for a period of one year.

It will suffice if I indicate only very briefly the steps that led to the abandonment of the Wheat Board idea. The subject is not of much interest as a guide to the future. It was decided that, war emergency conditions being over, Parliament had not power to take control of the whole grain trade of Canada, at least without the concurrence of the provinces interested, Manitoba, Saskatchewan and Alberta. An Act was passed to become effective only if at least two of these provinces concurred. The Board to be established was to operate for not more than two years. Saskatchewan and Alberta agreed but Manitoba refused. The Premiers of Saskatchewan and Alberta attempted to secure competent grain men to undertake the duties of the Board, but in this they were unsuccessful. After repeated efforts the two Premiers announced in June, 1923, that they had found it impossible to secure a Board combining the necessary elements of experience, ability and public confidence. On June 27 the Grain Growers' Guide observed that the Wheat Board idea was dead.

It seems probable that the final abandonment of the movement for a Board was brought about partly by the recognition of the fact that the need of government control and the conditions which had enabled the 1919 Board to obtain high prices were products of the war and had virtually disappeared. The experience of a Wheat Board with no marketing problem, with only a few overseas customers and these all government Boards themselves, operating while futures markets were closed in Canada and in Great Britain, cannot be a sure guide to the potential success of a Board doing business in world markets in the midst of many buyers and sellers in active competition.

CHAPTER VI

THE POOLS

In the meantime, the idea of co-operative grain marketing had been gaining favour. It came into being with the commencement of operations by the Alberta Pool in the fall of 1923, and became fully effective with the establishment of the Central Selling Agency of the three Pools (of Alberta, Saskatchewan and Manitoba), incorporated in August, 1924, under the Dominion Companies Act as Canadian Co-operative Wheat Producers Limited.

The Pool movement was intended to secure all the advantages thought to reside in centralized selling, but without government control. As is stated in the Pool brief (Ex. 330, p. 7) it was intended to be "a Wheat Board without government assistance." The ideal of co-operation and producer control was emphasized as preferable to any contact with governments. As late as the autumn of 1929 such sentiments were expressed with great force by Pool leaders. (Ex. 454.)

OBJECTS OF THE POOLS

I have already quoted from the Pool contracts and the charter of the Central Selling Agency to show that the main objects of the Pools in respect to marketing were stated to be:

- (1) To eliminate (or reduce) speculation, manipulation and unnecessary transactions;
- (2) To stabilize the market;
- (3) To improve methods and to reduce costs of marketing;
- (4) To market directly;
- (5) To market with regularity.

The extent to which these objects were pursued or departed from as time went on will appear from a review of the methods employed by the Central Selling Agency in the performance of its duties.

POOL AS SELLING AGENCY

The essential difference between the Pool and most other merchandising agencies of the grain trade lay in the fact that the Pool did not buy grain, but acted as a selling agent for its members. There are, of course, private commission agents in the grain trade who perform much the same function, but such an agent sells under the specific instructions of the farmer owning the grain, and the farmer receives payment out of the proceeds of his own grain as such, irrespective of any sales of other farmers'

grain by the same agent. But the ordinary practice outside the Pool, for the vast majority of farmers, was and is that they at some time sell their wheat to an elevator company, and the latter immediately resells such grain, or, more accurately, sells an equivalent quantity for future delivery, through the Winnipeg futures market. Broadly speaking, the sale by the farmer may be regarded as simultaneous with the sale by the elevator company. The Pool, on the other hand, neither bought from the farmer nor was governed in its rate of sales by the desires of the individual member delivering grain to it for sale.

The Pool was responsible for the disposal of roughly one-half of the western wheat crop. It had no automatic method of selling to be carried on irrespectively of its own views as to price, as is the case with elevator companies buying wheat from farmers, but was necessarily required to regulate its sales policy by the judgment of its officials.

It is true that it might have adopted a policy requiring no salesmanship whatever, that of selling approximately equal quantities every month, every week or every day, but as will be seen no such mechanical, automatic method was ever adopted. On the contrary, the problem for the Central Selling Agency was to decide when and how and in what quantities to sell. Upon their decisions rested the return which their members would receive for their grain and with them the responsibility lay to insure, if possible, that the risk of owning and carrying in one hand one-half of the Canadian crop, a risk shared jointly and collectively by all Pool members instead of as formerly by outside speculators, did not bring disaster.

DIRECT SELLING

One of the chief points of interest in connection with Pool selling has long been its policy of "direct selling." This meant that a portion of Pool wheat was sold by the Pool to millers at home and abroad, without the intervention of an established middleman. The Central Selling Agency, in fact, in making these sales replaced the existing agencies of the trade, both exporters and importers, by performing their functions itself. Attention has been chiefly concentrated on the Pool's export sales. These were carried on almost exclusively through its own offices in London and Paris after the establishment of those offices and were of two kinds, namely, (1) sales direct to millers and (2) to a lesser extent, sales to middlemen in the overseas countries. The Paris office was opened early in 1925 and made almost all of its sales direct to the millers in France. The London office was opened in 1927, the Manager being Mr. D. L. Smith, formerly Sales Manager of the Pool in Winnipeg. Prior to that year the Pool's sales in the United Kingdom and in Europe generally, with the exception of France, had been made in much the same fashion as those of other Canadian exporters. That is, the Pool had connections with importers and agents in various cities and countries. These persons made sales to millers

and others and handled no Canadian wheat other than that of the Pool, but they did also handle wheat from other countries. The Pool's own office, however, dealt exclusively in Canadian wheat, Pool wheat. Mr. Brett stated that he believed that this latter fact tended to increase the sale of Canadian wheat (evidence, p. 5574).

The Pool made one experiment with exclusive contracts with overseas mills. In September, 1925, an agreement was made with Joseph Rank Limited, a large milling concern in Great Britain, whereby the latter agreed to buy its entire requirements of wheat from the Pool providing the price was as favourable as that of any exporter. No price or quantity was fixed. Prices were quoted daily by the Pool, which had some knowledge of its customer's requirements through monthly advices as to the quantities and grades that would probably be required for shipment to the various ports of the United Kingdom. The mill had the privilege of selecting the days on which its purchases would be made. The agreement was terminated in September, 1927, because of objections by other customers that it really conflicted with the Pool's policy of one price to all buyers. Mr. Brett stated that when the agreement was cancelled Mr. James Rank made a trip to Winnipeg, to interview the Board of Directors. (Evidence, p. 5614.)

As described by Mr. Brett (evidence pp. 5644-49) the Pool's export business was carried on in general in the same manner as that of other exporters. Offers were cabled abroad each night based essentially on the Winnipeg closing quotation plus the current cost of freight, insurance, etc. The London office was used for the transmission of these offers, which required acceptance before the opening of the Winnipeg market the following morning. During the day, further offers might be made, depending upon the action of the market, for immediate acceptance.

Figures are not available as to the amount of direct sales. The Pool's annual reports, however, show the amount of export business without distinguishing between the sales direct to millers overseas and sales to overseas merchants and other importers, as follows:

1924-25	55 to 60 per cent (p. 7 of 1925 Report).
1925-26	"a very large percentage" (p. 12 of 1926 Report).
1926-27	124 million bushels (equal to about 61 per cent of total Pool sales) (p. 14 of 1927 Report).
1927-28	115 million bushels (52 per cent) (p. 19 of 1928 Report).
1928-29	108 million bushels (51 per cent) (p. 18 of 1929 Report).
1929-30	57 million bushels (44 per cent) (p. 12 of 1930 Report).

All the above sales were made without the employment of any Canadian Agency. The residue in each year is the volume sold to Canadian millers and traders or, perhaps, delivered to the clearing house.

Although, as noted below, the Pool preferred to make sales in the manner in which it could obtain the best price, there was nevertheless a definite preference for making direct sales wherever possible.

"We preferred to sell direct to millers overseas, in the United Kingdom and on the continent, and to millers direct here in Canada, rather than, say, to use the facilities of the Exchange to sell futures." (Evidence pp. 6449-50.)

"We preferred to sell into actual consumption." (Evidence p. 6450.)

On the one hand, such sales would bring to the Pool, if it operated efficiently, the profits that would otherwise accrue to other exporters, and, on the other hand, the idea of selling to consumers rather than having any dealing with middlemen and speculators was an integral part of Pool ideology. It was considered desirable to keep under the control of farmers' representatives the entire flow of grain from producer to consumer. This was closely associated in their minds with the idea of orderly marketing, and of supplying wheat only as required to fill actual consumptive demand:

"The Pool's objective was to have its members collectively carry their own wheat until such times as they found markets for it in consumptive channels."

The Pool's orderly marketing policy was:

"simply an attempt to move the flow of wheat into consumption in accordance with consumptive demand." (Evidence p. 5521.)

OTHER METHODS OF SALE

Aside from its direct sales and other exports the Pool sold considerably in the Winnipeg market. Wheat was sold on the cash market from time to time when the price was suitable (evidence p. 6716) and in the case of many such sales futures were taken back from the buyer, both because of the desire of the customers to do business on that basis (evidence p. 5526) and because if the Pools did not take back the future the customers would probably sell the same quantities of futures on the market immediately and possibly depress the price (evidence p. 6716), whereas the Pool could dispose of the future in its own time, thus continuing to carry the same quantity of wheat, but in the form of futures instead of actual grain. Occasionally, these futures would be held until the delivery month and cash grain would be received by delivery through the clearing house (evidence p. 5526).

SELLING ON FUTURES MARKET

As a result of taking back futures contracts on cash sales the Pools necessarily had to make sales in the futures market if only to close out these contracts. In fact, however, sales of futures were made on numerous occasions without direct connection with, and in greater quantities

than, futures that had been acquired in making cash sales. In the first place, there were occasions when the futures market offered an opportunity of securing a better price than was otherwise obtainable. Mr. McIntyre, Assistant Sales Manager, speaking at the International Wheat Pool Conference at St. Paul in 1926 (Ex. 240, p. 71 and evidence p. 6760) said:

“There are times when speculative fever, such as there was last year, will carry wheat possibly away over its true value. If you have a market which is bound to pay 20 cents more than what you consider prices worth, can any pool afford to let that market pay that price and not sell them the wheat?”

While eventually the actual grain itself had to be sold, these futures sales insured a certain basic price for the quantities that were so sold (evidence p. 6718).

Sales of wheat futures were also made with a different and specific purpose, or rather a double purpose, in the summer and early autumn. In the first place, futures sales were sometimes made as a help towards completing the disposal of the year's crop and determining the final payment to be made to members. For example, on July 31, 1928, out of a total of 43 million bushels still on hand, some 12,500,000 had been disposed of by cash sales for deferred shipment, and another 12,000,000 by sales on the futures market. Similarly, in 1929, close to 27,000,000 bushels had been sold as futures by the end of July, with respect to the balance of the 1928 crop, although there was still an unsold carry-over (after allowing for those futures sales) of about 52,000,000 bushels.

Likewise, sales of futures were made, on one occasion as early as February, by way of advance sales in respect of the following crop. In 1925, October futures to the extent of 5,661,000 bushels were so sold during May, June and July. In 1926, the quantity was 6,237,000; in 1927, just under 15,000,000; and in 1928, 4,603,000 (evidence pp. 6913-19, Ex. 358). In 1929, the records show only a very small quantity so sold and the explanation given (evidence p. 5791) was that all futures sales made that summer were allocated to the 1928 crop in view of the large carry-over remaining on hand and of the fact that it was realized that the interim payment of July, 1929, represented virtually the final payment on the 1928 crop.

Thus, although the Pool did not hedge in the manner of country elevator companies by a purchase of cash wheat and a simultaneous sale of futures, it, nevertheless, hedged portions of its merchandise at times by making extensive sales of futures with a view to securing what appeared to be a good price. As was stated in evidence, futures sales were made:

“if the price were satisfactory” (evidence p. 5545)—and

“we used the futures market on those occasions because we considered that it was an advantage to make use of it” (evidence p. 5546).

With respect particularly to the sales in advance of the incoming crop, Mr. Bredt said:

"It was just exactly the same as if we had made a sale under contract for the delivery of actual wheat later on. That is what we considered it" (evidence p. 5546).

The extent to which such sales were made:

"depended naturally upon the prospects of a crop and the amount of the carry-over or on the amount of the unsold stocks still on hand of the old crop and whether or not our technical men, salesmen, considered that it was advantageous to make sales at that particular time by this method" (evidence p. 5783).

BUYING ON FUTURES MARKET

Another use of the futures market by the Pool was for the purpose of purchasing, not selling. Mr. Bredt said that on those occasions the management thought that a price decline was not justified or had been caused by manipulation and that by making purchases the Pool could give strength to the market. The first occasion was in April, 1925. Prices had declined from \$2.17 $\frac{7}{8}$ on January 28, with large intervening fluctuations, to \$1.38 $\frac{3}{8}$ on April 3. This low point was only 3 $\frac{3}{8}$ cents above the amount of \$1.35 which the Pool had paid to its members by way of initial and first interim payments. On April 4, the Pool purchased 3,435,000 bushels of futures. By April 11, the price had risen to \$1.69. The futures so acquired were sold out in May and June at a profit of \$486,000 (evidence p. 5804). The second occasion was in May, 1929, when 6,153,000 bushels were purchased between the 9th and the 17th and were sold out in June at a profit of \$537,000. The third occasion of this sort was a series of purchases extending from November, 1929, to April, 1930, which later had to be disposed of at a loss of \$2,014,000 (evidence pp. 5803-6).

Two reasons are given for these purchases. First it is said that the price declines jeopardized the margin of 15 per cent which the Pool had to maintain between the current market value of its holdings and the amount of its borrowings from the banks. At least in 1925, this margin had not been actually infringed and there was no trouble with the banks, but it was felt that the margin would be endangered by any further fall in price (evidence p. 5795, also 5620, 5624, 5627, 5629).

The second object was to influence the market with a view to aiding sales by stabilizing prices. Mr. Bredt says the Pool firmly believed that the price declines were unjustified by world conditions or by commercial transactions and were, in fact, being made by manipulation. In the view of their salesmen the downward trends were not justified. All purchases were made upon the advice of their salesmen. The Pool went into the market with the purpose of stopping the decline. Mr. McPhail, on page 341 of the evidence before the Stamp Commission, described their purpose

as that of stabilizing the market "exactly the same as the United States Farm Board tried to stabilize the market" (evidence p. 6723). In May, 1929, the Pool thought there was a bear raid on the market and decided to take a definite stand against it (evidence pp. 5803-4, quoting "Tides in the West," Ex. 337, p. 23). Likewise, in the fall of 1929, "we were under the impression that the market was being manipulated," and they felt that the price was too low and that wheat should go up or at least that it should not go lower (evidence p. 6701). In 1930, after the Provincial guarantee had been given the provincial governments were notified of these purchases of futures before the purchases were made (evidence p. 6712). Evidently reliance was placed upon the good judgment of the Pool executive and the efficiency of its information service.

Whatever may have been the motive behind these purchases of futures, the action taken in each case was in its nature speculative and was based upon the confidence of the management that prices would rise, and, probably, that the Pool's purchases would themselves influence the market upwards. On the two occasions, namely in April, 1925 and in May, 1929, the speculation turned out happily and the Pool made profits. But the last venture into the buying side of the futures market in the fall of 1929 and the winter of 1930 proved unsuccessful and the loss was heavy. The net result of all these transactions was a loss of nearly \$1,000,000. Having regard to the disinterested personal position of the Pool officials, and to their ability, experience and access to sources of information, the outcome of these speculations, on the whole unfortunate, illustrates the dangers and difficulties which attend grain market speculation.

SELLING POLICY AND CARRY-OVERS

The Pool itself has frequently put forward, as the standard by which its selling policy should be judged, the amount of its carry-over at the end of the various crop years. In numerous publications prior to the cessation of pooling, the unsold Pool stocks as at July 31 of each year are compared with the total Canadian carry-over. In the Pool's submission to the Commission, the method adopted was to compare total Pool stocks, whether or not sold for future delivery, with the total Canadian carry-over. In each case the statement was made that as the Pool handled 50 per cent of the total crop it was proper that the Pool should hold in the neighbourhood of 50 per cent of the total carry-over; and that whenever that occurred it was clear that the Pool had made sales as large as could be expected.

This method seems to be fallacious for three reasons. In the first place the amount of Pool carry-over at the end of any particular year has no necessary relationship to the success of the selling efforts of the Pool during that year. There is no reason why in handling half the crop the Pool should finish the year holding half the carry-over. For example, if at the commencement of the year the Pool had no carry-over and the total Canadian carry-over was 50,000,000 bushels, and at the end of the year the

Pool had a carry-over of 50,000,000 bushels out of a total Canadian carry-over of 100,000,000 bushels, it would be in line with the Pool argument to say that the Pool had finished the year with its proper proportion of the carry-over. It is clear, however, that in such a year the Pool would have failed to sell its share of the current crop, to the extent of 50,000,000 bushels, its carry-over having increased by that amount; and that the non-Pool proportion of the current crop had been completely disposed of, its carry-over having remained stationary.

This hypothetical case was very closely approximated in fact in the year 1928-29. At the end of July, 1928, total Pool stocks were 43,000,000 bushels, of which 25,000,000 had been sold but not delivered, leaving an unsold carry-over of 18,000,000 (all of which had been sold by the end of August, that is by the end of the Pool's fiscal year). At the end of July, 1929, the total Pool stocks were 85,000,000 bushels, of which 33,000,000 had been sold but not delivered, leaving unsold stocks of 52,000,000 or an increase of 34,000,000 bushels. During that crop year (1928-29), the total Canadian carry-over increased by 36,000,000 bushels. In other words the non-Pool carry-over had remained virtually stationary while the unsold Pool carry-over increased by 34,000,000 bushels, although, considering merely the position at the end of July, 1929, the unsold Pool carry-over was only 41 per cent of the total Canadian carry-over, and the Pool had handled 52 per cent of the crop. If, on the other hand, regard is had to total Pool stocks (instead of only unsold Pool stocks) the increase during the year was 42,000,000 bushels, and the balance of the carry-over decreased by 6,000,000 bushels. The basis used by the Pool, in accordance with which it would be pointed out that at July 31, 1929, total Pool stocks, sold and unsold, constituted 66 per cent of the total carry-over, thus reveals a completely different situation from that given by consideration of the respective increase and decrease in Pool carry-overs and the remainder of the carry-over.

Secondly, there is no valid basis of comparison between the Pool carry-over and that part of the carry-over which was in other hands. In the previous Pool literature, the comparison made was between the unsold Pool carry-over and the entire balance of the carry-over, which balance was usually described as being in the hands of the trade. But it is clear that of the so-called balance a certain proportion would be in farmers' hands, some would be in Canadian mills waiting to be ground into flour, and an uncertain amount, possibly in some years a very large proportion of the remainder, would have been sold either in Canada or in the export market, for shipment at some future date. This factor was to some extent corrected in the Pool submission where not the unsold carry-over, but the total Pool stocks at the end of the year, were used as the basis; and where the comparison was made with the total Canadian carry-over, the non-Pool proportion not being described as in the hands of the trade. It is clear, however, that looking merely at total stocks—whether sold or unsold—is of no utility when the matter under consideration is the extent to which

the Pool, or any other marketing agency, had sold the grain entrusted to it for that purpose.

Thirdly, there is little apparent reason for making any comparison between what was done with Pool wheat and what was done with other wheat. The Pools were an agency to sell members' wheat to the best possible advantage, having in mind certain principles of action to be found in their charter and their contracts. What was done with other farmers' wheat and the price obtained therefor was not its concern. The Pool carry-over should be considered, not so much in relation to other carry-overs, but rather in relation to the objects of the organization and the policy which should have been followed to attain these objects.

BEGINNING OF DIFFICULTIES

Professor Patton has noted that:

"The Canadian Wheat Pool had come into existence under a favourable international conjuncture in which the gold price level was relatively stable, in which international loans and investments were being made in unprecedented peace-time volume, in which European wheat imports attained record proportions, and in which Canada had assumed first rank as a wheat exporting nation."

These conditions (excepting Canada's export position) came to an end in the year 1929-30, at a time when the international wheat position was particularly vulnerable, owing to the huge world crops of the previous year. In 1928 world production (excluding Russia and China) was 464 million bushels greater than the average for the preceding five years. The greater portion of this surplus was produced in overseas exporting countries. Despite record international shipments in 1928-29, the carry-over in the four chief exporting countries increased by 187,000,000 to the figure 554,000,000 bushels. The Pool itself had an unsold carry-over, at August 31, 1929, of 48,000,000 bushels, as compared with no carry-over at the same date in 1928.

There can be no doubt that the origin of the Pool's difficulties, so far as its own actions are concerned, lies in its failure to dispose of its share of the 1928 crop (by contrast, the non-Pool Canadian carry-over did not increase in 1928-29) which left it unprepared to meet the price crash in 1929-30. It is true, as Mr. Bredt said in evidence (p. 5631), that neither the Pool nor anyone else had reason to expect that in the particular year, 1929-30, world wheat shipments would decline by 300,000,000 bushels, but the general possibility of difficulties in the world wheat position had long been known to the Pool, and it did nothing to prepare itself for any untoward eventualities.

The Pool had, in the Central Report of 1927 (dealing with operations in 1926-27) pointed out that world production was increasing and that, accordingly, "the outlook during the year was, if anything, for lower prices."

The following year (see p. 17 of 1928 Sask. Report, dated November) it was drawn to the attention of members that:

“The operations of the Pool had to be based on an increased world production”

and figures were given showing constantly increasing production since 1924—an increase between 1924 and 1927, in fact, of 800,000,000 bushels. In 1929 the Central Selling Agency reported, in October (p. 16 of 1929 Saskatchewan Report), that:

“It was apparent in the early season” (i.e. of 1928-29) “that we were faced with a year of extraordinary world production, as the United States and Canada both produced very large crops, to be followed later by Argentina with a record crop and Australia with an above-average crop.”

(The latter two countries' crops would not of course be known until December, or later, and in point of fact the Argentine crop was greatly under-estimated, but the Canadian and United States crops were known fairly exactly in the autumn, and the general outlook, “apparent in the early season” was for a “year of extraordinary world production.”)

In the same report it was also noted that:

“Production throughout the world has undoubtedly been stimulated by the comparatively high prices ruling for the past four years . . . partly offset by increased and increasing world consumption.”

The lesson drawn from this was that:

“The need for a regulating organization between consumer and producer, such as the Pool, was never more apparent.”

MAY, 1929

It was in May, 1929, that the Pool completely departed from the policy that might be expected in the midst of such conditions. Sales up to then had been large, averaging 25,000,000 bushels per month from September to December, and 16,000,000 from January to April. It is to be expected that sales after December and before May would be smaller than in the autumn, but in this year it is to be noted that such lessening of sales took place despite the existence of higher prices (Winnipeg average cash closing price was \$1.19 $\frac{3}{4}$ for the period September to December, \$1.24 $\frac{5}{8}$ for January to April). By this time the Argentine competition was making itself felt.

“From January, 1929, on we were faced with the most severe kind of competition from the pressure of the Argentine wheat on the market”—

as Mr. McPhail said in an address in March, 1930 (See Tides in the West, Ex. 337, p. 23, footnote 2, and Patton Ex. 175, p. 10 and evidence p. 6483). He also said that:

“During the winter months last year” (i.e. winter 1928-29) “our Winnipeg prices were unduly high as compared with the Argentine.”

It is apparent therefore that from January on the Pool was not willing fully to meet the Argentine competition, but it was in May that the crisis really arose and was met by a decision in favour of holding rather than of maintaining sales at current price levels. From September to April Winnipeg cash prices had been very steady, with a low of \$1.13 $\frac{5}{8}$ and a high of \$1.31 $\frac{1}{4}$, and with average prices about 5 cents higher after December than before. Mr. McPhail spoke of the “drastic decline” and “the big break in prices” . . . “to as low as \$1.06 in May.” The decline was in fact from \$1.21 on May 1 to \$1.11 $\frac{3}{4}$ on May 7, and finally to \$1.06 $\frac{1}{4}$ on the 31st. The only large single decline was from \$1.19 $\frac{3}{4}$ on the 4th to \$1.11 $\frac{3}{4}$ the next market day, which was the 7th. On May 9, the day the Pool commenced buying futures, the cash price was \$1.10 $\frac{3}{4}$, and on May 19, the last day of the Pool purchasing, it was \$1.12 $\frac{1}{4}$. The decline then continued until abruptly reversed by a rise of 6 $\frac{1}{2}$ cents on June 4, which put the price at \$1.14 $\frac{1}{4}$.

It has been mentioned that Mr. McPhail said that in May, “We decided to take a definite stand against what we considered a ‘bear raid’ on the market,” and this was the reason for the purchases of the futures.

With regard to the general problem he said:

“Some people will naturally ask, why not have taken such an attitude to the market as to have brought our prices in line with those of Argentina? At the time of the drastic decline I speak of in Canadian prices, we found that Argentinian prices simply kept falling away from ours; and even at these low levels there was no sign of touching bottom so far as Argentinian prices were concerned” (evidence p. 6485).

It is evident that the “bear raid,” if any, must have been world wide.

That a “Holding Policy” i.e. refraining from selling at current prices was deliberately adopted in the spring of 1929 is clear from the sales figures given in evidence, from the foregoing remarks of the President, and from equally authoritative statements by the General Manager of the Central Selling Agency (quoted in a Pool pamphlet entitled “Open Market Prices Under Pressure—Pools Unaffected by Demoralization,” issued in May, 1929. See evidence pp. 6486-88). Taking certain figures of production and carry-over as his basis, the general manager said:

“The much-talked-of world surplus amounts to an increase in the United States carry-over of some 60,000,000 bushels, which is partially offset by a decrease in the Canadian carry-over.”

He went on to point out that the 1929 world crop would not likely be as large as in 1928, but that even if it were,

“The increased consumption which has developed this past year will in all probability provide a market, and at a profitable figure, provided it is marketed in a sane way. There is no doubt that a reasonable price will be obtained for the balance of this year’s and succeeding crops as we are adequately financed and *prepared to await the demand.*”

This last can only mean, prepared to wait for demand at a price satisfactory to the Pool. As already mentioned, the Pool not only ceased selling in May, but went further and bought futures to influence prices.

The reasonableness of this action is not apparent. If there was believed to be only a temporary fluctuation, “stabilizing” purchases were not necessary and could only add to the quantities required to be sold later. On the other hand, no matter what the Pool managers believed, there was at least the possibility that the decline would continue, in which case adding to stocks by purchases might be disastrous. Prices had not really declined seriously as compared with the previous autumn. The price paid to Pool members to date was only 97 cents, and over 160,000,000 bushels had been sold at considerably more than that, so that the bank credit was not imperilled. Winnipeg prices had avowedly been “unduly high” as compared with Argentine since January. At most, a certain lessening of selling might have been regarded as sound policy—not the making of future purchases exceeding what small sales had been made that month.

However, the experiment was successful financially, in the sense that futures sales in June at higher prices were regarded as closing out the May purchases. But the Pool still had to sell over 80,000,000 bushels during the remainder of the year if it were to repeat the achievement of 1927-28, when it had no unsold carry-over by the end of August.

SELLING RESUMED, JUNE, 1929

In June prices recovered, there being a rising market for the most part, although the average Winnipeg price for the month was only 5 cents higher than the average during the decline in May. Selling was resumed on a large scale, the total for June being 20,103,000 bushels, as compared with 4,510,000 in May. If the figures are adjusted to include the Pool’s special futures transactions, total sales in June were 26,258,000 bushels, as compared with *net purchases* in May of 1,643,000.

ACTIONS IN JULY, 1929

In July, however, and even more in August, no vigorous selling policy was followed, despite higher prices, and this, coupled with the large payments to members brought the Pool into 1929-30 with a large unsold carry-over and, when prices thereafter declined, an unbalanced financial position.

It has been mentioned that large sales were made in June, on a rising market. The average cash price for the month was \$1.18 $\frac{1}{4}$ and the closing price on June 29 (the 30th being Sunday), was \$1.29 $\frac{1}{2}$. In July there was a very rapid and sustained rise to \$1.78 $\frac{5}{8}$ on the 29th, yet Pool sales were only 13,561,000 bushels, leaving 52,000,000 bushels still unsold on July 31. The reasons given for this failure to make more substantial sales will be discussed shortly. Here attention must be directed to an action of the Central Board, which, more than any other Pool action except the mistake in selling policy, was responsible for its financial difficulties and ultimate failure. For, after all, entering the crop year with a large carry-over would merely interfere with the selling of the new crop, and would not directly affect the financial position unless a large debt were incurred in respect of that carry-over. This last is just what the Pool did, unfortunately. Until July the Pool had only paid its members 97 cents (basis No. 1 Northern) on their 1928 crop. On July 11, when the Winnipeg cash price was \$1.44 $\frac{1}{4}$, a further interim payment of 21 $\frac{1}{2}$ cents was authorized, and was paid on July 31 when the Winnipeg price was at \$1.72. The total sum so distributed was, in round numbers, \$40,000,000. (See 1931 Sask. Report, p. 49). Although Mr. Milliken stated (evidence pp. 6909-10) that he had been informed by the Treasurer that it was not known how much of this payment was borrowed, because advances were being made at the same time in respect of the new crop which are also included in the bank debt, a simple calculation from the known figures seems to show that the entire sum was borrowed. On p. 21 of the Central Report for 1928-29, the balance sheet shows a bank debt of some \$68,000,000, as at August 31, 1929 (against which, of course, there were stocks of grain, having a total value at prevailing prices of \$84,000,000) up to the end of September, deliveries of the new crop to *Central* aggregated 18,626,000 bushels (Brief, Part 1, p. 27). Even if all this had been No. 1 Northern and delivered by the Pool members in August, and even if no sales had been made, the most that could have been paid on account of the new crop was \$18,625,000. In fact, of course, the amount was much less. Likewise deliveries of old crop in August were 1,728,000, on which at most \$2,000,000 would have been paid. It thus appears that the bank debt attributable to old crop wheat delivered to *Central* must have been over \$40,000,000, and that therefore the entire amount of the July interim payment was borrowed.

This was placing the Pool's finances in a very hazardous position. At prevailing prices (\$1.72 on July 31 and \$1.52 $\frac{3}{4}$ on August 31) the value of grain on hand was, of course, in excess of the bank debt; but such prices were much higher than had prevailed for several years, and could only justify such a large borrowing if in fact steps were taken to dispose of the unsold stocks at those prices. This was not done.

Prices were very high in July, August and September, and may be summarized as follows:—

WINNIPEG CASH PRICES

	High	Low	Average daily prices	Pool sales
	\$ cts.	\$ cts.	\$ cts.	bushels
July, 1929.....	1 78½	1 34½	1 59½	13,561,000
August.....	1 73½	1 51½	1 58	3,751,000
September.....	1 57½	1 41½	1 49½	8,563,000

It is convenient to deal with Pool sales as a whole in this period, as indeed was done in the evidence of Mr. Bredt. Mr. Bredt said that, looking backwards, it can be seen to-day that sales should have been larger (evidence pp. 6635-6; 6625; 6775) as indeed is obvious; but he said that in the circumstances it was, in effect, impossible for the Pool to do other than it did.

EFFECT OF SPECULATION

The essential factors in the market situation at this time were that a wild speculative boom was taking place at Winnipeg and Chicago, and that Argentine grain was being sold in Europe in very large quantities (the size of their 1928 crop had been universally underestimated) and at prices very much below ours—that it was, in fact, effectively shutting Canadian wheat out of the export market. Mr. Bredt gave the figures of Argentine shipments for the last six months of 1928, 1929 and 1930. In particular, it may be noted, that in July, August and September 1929 the shipments totalled 59,475,000 bushels, as compared with 24,260,000 and 9,629,000 in the corresponding periods in 1928 and 1930 respectively.

POOL EXPORT OFFERS

Faced with such circumstances, what did the Pool do? Mr. Bredt gave evidence that during these months the Pool made export offers at prices that were at times 6½ cents below the equivalent open market price at Winnipeg, plus transportation and other export costs. Out of the seventy-six market days in this period, the Pool export price was under the Winnipeg market on forty-seven days, equal to it on five days, but actually over the market on sixteen days; and on eight days no offers were made. (Ex. 350). This was described as evidence that the Pool were “free and anxious sellers” (Brief Part 11, p. 2) or at least anxious (evidence p. 6528), for in fact the offers were of no avail—sales could not be made (evidence pp. 5569; 5632-4). The fact of the offers being sometimes under the market does not necessarily mean that the Pool was making really determined efforts to meet world competition. Thus on July 11 the Pool offer was ¼c. under the market and on July 17 it was 4¾ cents under, but in the meantime the Winnipeg price had risen 32 cents, and the Pool offer had correspondingly been raised, though not quite to the same extent.

The fact is, of course, that the Winnipeg market was at this time wholly unrelated to the world market as represented by the prices at which competing wheats were being sold. The Pool Brief (Part 11, p. 9) quotes the statement of Mr. Sidney T. Smith before the Stamp Commission in 1931, that:

"In the fall of 1929 we ran about 25 cents a bushel higher than world values in Liverpool. We couldn't sell anything further."

And, says the Brief, it was through "recognizing this fact and being seriously concerned about their inability to sell in volume," that the Pool made these export offers. Mr. Bredt was questioned why offers had not been made still lower until sales could be made; why the Pool offers jumped upwards between July 11 and 17 as much as 12 cents in a day—and 28 cents in six days—and also (since the Pool had not hesitated to use the futures market on other occasions, even to the extent of buying futures) why large sales were not made in the futures market to take advantage of the high prices ruling there, which were recognized by the Pool as "materially above world parity." (Brief, Part 11, p. 9).

With regard to the export offers, Mr. Bredt said that they had no assurance that they could make sales even at much lower prices (evidence pp. 6752; 6786) for Argentine prices might decline even further; and that they could not make greater use of the futures market because large Pool offers there would cause prices to fall (evidence pp. 6803-4).

It would seem that to make prices fall should have been the object of Pool policy at this time, if they really believed that excessive Winnipeg prices were responsible for the cessation of export sales. In any event, since the market was one of the strongest speculative "bull" markets ever known, there can be little doubt that large sales of futures could have been effected without crashing prices.

In this connection, however, Mr. Bredt gave in explanation of Pool policy in 1929, a series of statements which indicate either a fundamental defect in any marketing system wherein the selling agency is selling for the producers and is responsible to them either directly or indirectly, or else a misconception of their duties on the part of the Pool leaders. He said that if the Pool had lowered its export offers further and made sales at such lower prices:

"We would have been liable to very, very severe criticism if the market had not declined, because naturally our members expect us to obtain as high a price as we possibly can." (evidence p. 5569, see also 5635-6).

and that on the other hand if the market had declined through the Pool either lowering its export offers still further, or by selling large quantities on the futures market, the criticism would have been even more devastating.

The Winnipeg price was a "yardstick operating alongside" to which their members in the country looked "more or less as a guide upon which

they expected to get a return" and "we felt that to make sales to meet that competition from the Argentine would have ruined our whole organization." (evidence p. 6521). "We would have lost the confidence of our members completely."

The same objections applied to making cash sales at Winnipeg, as to selling futures (evidence p. 6805).

The COMMISSIONER: "You say you did not dare to make an offer low enough to meet that competition because such action might have precipitated a fall in prices, and your members would have been dissatisfied?"

A.: "And we might have lost our whole organization" (evidence p. 6826-7).

With these remarks should be contrasted the statement of Mr. McIntyre, Assistant Sales Manager, previously quoted, that if speculators are willing to pay

"20 cents more than what you consider prices worth, can any pool afford to let that market pay that price and not sell them the wheat?"

Mr. Bredt referred to the Pool as

"an organization brought into being with the avowed purpose of getting for the producer the best price obtainable" (evidence p. 6503).

The best obtainable price at that time was certainly the future price in the Winnipeg market. The Pool leaders knew that these prices were high, according to the earlier evidence of Mr. Bredt. If such were the case, it would be hard to understand why they did not take advantage of them. But the management did not even try to obtain these prices.

POOL OPTIMISM

There is considerable evidence, however, to show that the Pool officials, while they knew that Winnipeg prices and the Pool prices were far out of line with world parity, believed that the pressure of Argentine competition would ease off, and, that by holding for a while, they could later sell at the price they desired. In fact, this evidence shows that at this time the Pool was deliberately pursuing a holding policy.

Mr. Bredt's use of the terms, "Supposing we had decided to enter into cut-throat competition with the Argentine" and "If the pools had set out deliberately making export offers in competition with the Argentine" (evidence p. 6503) indicate that in fact the Pool refused to sell at competitive prices, or at any rate refused to attempt to do so. Likewise: "To make sales to meet that competition from the Argentine certainly would have ruined our whole organization" (evidence pp. 6521, 6786)

Mr. Bredt stated that the Pool deliberately kept off the Winnipeg futures market (evidence p. 6804).

On p. 6503, Mr. Bredt said, "At that time neither we nor anyone else knew what was going to happen to prices finally." On page 6786, however, he agreed that the Pool's export offers indicated that they felt that the Argentine competition was a matter of distress prices (see also p. 6787) that was going to work itself out, and that the real value of wheat which was shown in the Winnipeg market was going to be realized.

The Pool had the same over-optimistic attitude at that time as everyone else (evidence p. 6522). Everybody was bullish (evidence p. 6786). The Pool salesmen expected that the heavy shipments from the Argentine would cease and that Canadian wheat would again be in demand (evidence pp. 6749-50).

"The real trouble had its start with this large carry-over of the 1928-29 crop year,"

it was suggested, and Mr. Bredt agreed (evidence p. 6748).

Asked:

"Whatever the reason was, the Pools saw fit to carry over these stocks unsold?"

at the end of August, he replied:

"In other words, they shared with everyone else in Canada the prevailing sentiment that prices were likely to go higher."

Certainly the statements made at the time by Pool officials indicate an optimistic attitude about prices and a determination to wait until sales could be made at a price conforming to such ideas. Such statements were quoted in the course of Mr. Bredt's examination, at pp. 6814 to 6846 of the evidence.

POOL PRICE POLICY AND ITS EFFECTS

These incidents of 1929 lead me to a closer consideration of the price question. It will be necessary to deal rather lengthily with the policy and the record of the Pools in regard to it. The question is important in the interest of those who join co-operative selling organizations, as well as in that of producers who remain outside. It is also of interest, of course, to the buyers of our product.

The obtaining of good prices for the producer is surely a legitimate object, and one which any co-operative selling organization is bound to keep in view. The question here is whether the Pools over-emphasized this object or strove for it in such a way as to antagonize buyers and thereby do more harm than good. The true inferences will be drawn from the facts to be gone into in part in this chapter and in part later on.

There seem to be only two ways of securing better prices than previously paid to the producer at any given time. The one is to increase the ultimate market price; the other is to increase the producer's share of that ultimate price. And both these results may, of course, be kept in view.

While dissociating co-operative marketing by a growers' organization from the form of selling under Government control and assistance, the appeal of the pool marketing method to Western farmers was nevertheless closely connected with the ideas they entertained as to the "success" of the 1919 Board and the causes of such success. As Professor W. A. Mackintosh has said (*Queen's Quarterly*, issue for October-December 1925, p. 121):

"It was difficult for the grower to dissociate in his mind the Canada Wheat Board and the high price levels of 1919-20, and yet there is no evidence to show that the Canadian farmer obtained a higher price because of the activity of the Wheat Board. The Wheat Board paid a total of \$2.63 a bushel but the weekly low price for No. 1 Northern wheat in Minneapolis only went below \$2.63 during three weeks of the entire crop year, and so the United States farmer with competitive marketing did at least as well as the Canadian farmer with a controlled market."

The U.S. Government set up a National Wheat Board for the 1919 crop but it had no monopoly power; farmers were left free to sell to the Board or to the trade. Professor Mackintosh likewise speaks of

"The state of mind which connected the controlled buying (sic) of the Wheat Board with high prices and looked to a similar organization to bring back the halcyon days of two dollar wheat" (*ibid* p. 138).

The main motive behind the Wheat Pool movement was, it would seem, that of price. Mr. Bredt stated in evidence (p. 5824) that the reason so many joined the Pool must have been that they hoped to realize a higher price by selling through the Central Selling Agency than would be realized by each individual selling for himself. In pursuit of what they believed to be a new method of marketing which would substantially enhance the price of their product, farmers were prepared to embark on a course which represented a fundamental departure from previous forms of co-operative effort. Earlier efforts had all been in the direction of increasing competition among those handling and buying grain, and freeing the farmer from any kind of monopoly or control by outside interests. The results are to be seen in freedom to load his own car, to ship to the central market, to have the identity of his grain preserved, and to sell when, where and how he will. The farmers' elevator companies went a step further by establishing, within the existing marketing machinery, a yardstick for the entire marketing organization from country

elevators to exporting agency. Their object, which they achieved with success, was to set the competitive pace, to assure the farmer lowest possible costs, greatest possible technical efficiency, and many alternative methods of selling.

All this was to be changed for the farmer who joined the Pool. He gave up all his alternatives, and bound himself, willingly, for a period of five years, to operate solely through the Pool, an organization which took the place, for him, of elevators both country and terminal, local buyers, commission men, brokers, shippers and exporters, and, perhaps most important, took his own place as the judge of where and when to sell his grain. All these functions were to be performed by a single central organization, and much of its very virtue was believed to be that it was single, central, large and powerful, a collective substitute for individual judgment. For years great emphasis was placed on the claim that the Pool was a voluntary, co-operative and democratic organization of, by, and for the farmers themselves—such farmers as choose to join of their own accord. It was only in 1929 that a certain bias in favour of a compulsory marketing system began to appear.

How was it hoped that the Pool would secure better prices? The predominant notion, at least among the more enthusiastic supporters, was certainly a belief in the almost magic qualities of control of supply. Mr. H. W. Wood, a member of the 1919 Board and first President of the Alberta Wheat Pool, declared in October 1920 that the price of wheat that year could undoubtedly have been kept up to at least \$2.50 had the Board been continued. (Ex. 183, p. 199.) Professor Mackintosh quotes a further statement by Mr. Wood at that time, when asked the reason for the fall in price:

“From the standpoint of supply and demand there is absolutely none, the only reason in the world is the inefficiency in the selling of wheat this year.” (Op. cit. p. 138.)

A Report made by Messrs. Stewart and Riddell to the Saskatchewan Government in 1921, while stating that a partial pool would not be in as favourable a position as a monopolistic board, and would be affected detrimentally by the competitive selling of that portion of the crop that was not within the pool (Ex. 333, p. 10), nevertheless gave credence to the virtues of control and said, with particular reference to a National Wheat Board (p. 11)

“It is perfectly obvious that under a system of national control, where only one seller exists, and buyers are numerous, the advantage is with the seller.”

This statement seems to overlook the fact that, in regard to buyers, there would not be only one seller but many: sellers of Argentine wheat, of Australian wheat, of American wheat, etc., all competitors.

The belief that the Pool could positively raise the price level of Canadian wheat was common among both members and leaders in the early days and continued, at least in the pronouncements of the management, until the end of Pool operations, as is evidenced in the following:—

Mr. Bredt agreed in evidence (p. 5858) that during the inception of the Pools there was a very distinct feeling that they would be able to raise or influence the price level. Later (p. 5859) he qualified this, so far as Pool leaders were concerned, by limiting it to the idea of eliminating the autumn slump in prices.

On page 6678, he agreed that there were some "over enthusiastic" people who told the farmers that they could get a higher price if they joined the Pool.

On pages 3359-60, Professor Patton, a close student of the Pool movement, agreed that the idea of an international Pool being formed with a view to influencing prices had been promulgated.

At a meeting of the Saskatchewan Pool delegates, at Regina, in 1926, the Central sales manager, Mr. D. L. Smith, stated that the Winnipeg Grain Exchange had really no price except that set by the Pool; that the Pool controlled the prices, so far as the supply side of the law of supply and demand was concerned; and that the Pool had raised the price of Canadian wheat, as compared with other wheats. (See evidence pp. 5859-60, and Ex. 338.) On page 5861, Mr. Bredt said that there may have been times when the Pool really fixed the price on the Winnipeg market; but with respect to Mr. Smith's statement he thought it must have been made with reference to some particular year, for he was not a man given to extravagant statements.

At the International Wheat Pool conference at St. Paul, in 1926, Mr. Gourlay, a director of the Manitoba Pool, said that the object of the Pool was to raise the price of wheat (evidence pp. 5874-5 and Ex. 239, p. 67). A subsequent statement of his seemed to be to the effect that prices could not be raised except through international action (Ex. 239, p. 84). At the same conference, Mr. H. W. Wood, President of the Alberta Pool, said "The primary and most important object is to get a better price for wheat"; but he in turn seemed to limit this to raising the price of wheat up to the level of other prices (Ex. 239, See evidence pp. 5869-70). He then said that if producers in the four chief exporting countries combined they could fix the price, and immediately corrected this to "raise" the price and maintain it on a level with the prices farmers have to pay (evidence p. 5872). On page 5873, Mr. Bredt agreed that such a statement lent itself to the interpretation that the only aim and object of the Canadian Pool was to organize an international control board to raise prices. He said Mr. Wood only meant "that wheat prices should be raised to the same level as other prices."

On page 6676, Mr. Bredt agreed that Mr. Sapiro and others had held out the picture of first organizing a Canadian Pool and then an interna-

tional Pool, and that then they could go overseas and tell the consumers what to pay. Mr. Bredt described such people as "over enthusiastic."

Professor Mackintosh, in the article cited, deals with this aspect of the objective of the Pools on page 126, read into the record on page 5883, as follows:

"There were few even among the most ardent supporters of the Pool who seriously thought that the organization could effect an increase in the world price for wheat and yet some arguments advanced in its favour would seem to infer such a possibility. Later literature issued by the Pools themselves specifically deny any such intention or power. Nevertheless on one hand the over-optimistic grower, and on the other, the European buyer have been apt to impute rising prices to the Wheat Pool rather than to the shortage of the 1924-25 crop. It is further significant that the demand for the Wheat Pool arose out of the period of depression when the price of wheat fell proportionately below the prices of the commodities which the farmer had to buy. Clearly most farmers joined the Pool in the hope that it might do something to mitigate the unsatisfactory conditions of agriculture in those years."

In a speech, in January, 1927, Mr. J. H. Wesson said that the "Pools were deliberately attempting to stabilize, on as high a plane as possible, the Winnipeg quotations," and that they "both deliberately and unconsciously control Winnipeg quotations." The unconscious control he described as that which arose from the fact that, "the farmers' wheat is not now dumped on the market in large quantities" (See Ex. 339 and evidence page 5863).

Mr. Bredt described this as "over enthusiasm," and on page 5864 said that the Pool has influenced the Winnipeg price, but that he would not go so far as Mr. Smith and Mr. Wesson.

At the second International Wheat Pool Conference at Kansas City in May, 1927, the following resolution was adopted (quoted on pages 3358 and 3361, evidence):

"As soon as practicable, the wheat producers of the chief exporting countries of the world should look towards co-ordination of their co-operative program. This must be preceded by thorough organization of the producers of wheat in each country on a permanent basis, and such organization must control a substantial percentage of the wheat grown in these countries. When these conditions are met, then international co-ordination will give the wheat growers the same control over the marketing of their crop already possessed by other industries and will materially assist in putting agriculture in its rightful place among the other industries of the world."

Elsewhere in this discussion will be found reference to numerous public claims by the Pool to have definitely maintained the Canadian wheat price higher than it would otherwise have been in 1928 and 1929. Indeed, in the brief itself, on page 15 of part 2, it is claimed that:

“Had it not been for Pool operations the disastrous drop in wheat prices might have come about in 1928”;

and that the non-pool farmers had

“benefited by the fact that the Pool method of marketing held more than half of the entire crop off the hedging market.”

Finally, Professor Patton, on page 401 of his book (Ex. 183), said:

“Many Pool members recalling, or reminded of, the record wheat prices associated with the operation of the Canadian Wheat Board have signed Pool contracts in the expectation that Pool selling would be effective in raising the price of their wheat.”

But he went on to say that it was

“generally recognized by responsible Pool leaders that the higher prices since the organization of the Pool had resulted from broad international causes rather than from the action of the Canadian Pool itself.”

ORDERLY MARKETING AND AVERAGE PRICE

The objective of raising the entire price level of Canadian wheat, through the power believed to arise from control of supply, may not have been widely held among responsible Pool officials; but, as stated, it was expressed by the more enthusiastic exponents of pooling and undoubtedly affected many farmers. It was very closely connected, in its essential aspect of increasing the farmer's return for his crop, with another really quite different idea, that of obtaining an “average price” through “orderly marketing.” It is frequently difficult, in reading early Pool literature, to discover whether the basic objective of a higher price was intended to be achieved through selling for higher prices in the export market (i.e., raising the price level) or through the second principle of directing the profits assumed to be made by speculators into the pockets of the farmer. The background of this second objective was the belief that prices are almost invariably lower in the autumn, when most farmers sell their wheat, than later in the crop year, and that the speculating class thereby makes a profit which should belong to the farmer. This autumn decline is said to be caused by the fact that three-quarters of the crop is delivered, and in large part placed on the market and sold, before the end of December, whereas the ultimate sale and consumption have to extend over the whole twelve months. Further, the glut of wheat in the fall, itself a price-depressing influence, is believed to be aggravated by short-selling and

manipulation. This belief has long been held by many farmers, and has been unanimously expressed by Pool leaders, up to and including their evidence before this Commission. This is not the place to consider the validity of this belief (the question having already been dealt with), but of its existence there can be no doubt. The Pool, it was hoped, would alter this condition, at least so far as its own members were concerned, and it is now maintained that in fact it did so.

There is considerable ambiguity in the phrases used in this connection, notably the expression "average price" and "orderly marketing." If prices were, on the whole, lower in the autumn than later in the year, it is clear that an individual farmer would profit by holding his grain after harvest and not selling until the spring or summer. Or he might sell part of his crop at one time and part at another, and regard his entire crop as having been sold at the average of the various prices at which he had in fact sold. Many farmers, however, are not in a financial position to refrain from selling at harvest time and those who adopt such a course might through poor judgment or ill fortune sell at prices in the spring that were actually lower than the price they might have obtained in the fall, for even if average prices in the latter part of the crop-year were higher than in the autumn the fluctuations would probably result in the lowest late price being below the highest early price. The Pool, it was thought, would overcome such difficulties. It would make a substantial initial advance and the farmer's remaining equity would not be wiped out by temporary declines in the market. Sales would be spread out over the year, so as to take advantage of the supposedly higher prices when they occurred, and the responsibility of deciding when to sell would rest upon the experts of the central organization and not upon the individual farmer. To quote Mr. Bretz (evidence p. 5823),

"The idea was that farmers realized there were fluctuations in the price all during the year, and rather than take the risk themselves of deciding upon which particular day they wished to sell, they preferred to put their grain into an organization which had sufficient volume to make sales all during the year, and in that way establish as nearly as possible an average of all prices realized."

In the above quotation Mr. Bretz speaks of the average realized price. It is clear, upon reflection, that a Pool cannot obtain an average of all quoted prices, but only of the prices at which it actually makes sales, weighted by the quantity it sells at each price; and this was recognized by Mr. Bretz during examination (evidence pp. 5823-24). What the Pool got for its members and paid to them, which was all that any Pool can get, was the average of its own sales, and not the average market price. But the confusion over the meaning of "average price" appears in much Pool literature.

ATTITUDE TOWARDS SPECULATION

There were of course, further motives in the minds of those joining the Pool. There was the desire already mentioned, which can stand separately from the idea of getting a higher price, to pass on to others the risk and worry of deciding when to sell; and to know that one's price would be well above the year's lowest, even though also well below the year's highest. There was also for many the opportunity to put an end to all individual dealings with the Grain Exchange and the futures system which,

"in the opinion of many farmers . . . determines the price of the grain they have to sell by public gambling" (Bredt, p. 5437).

There was also an express objective of the Pool to obtain a larger share of the price paid by the consumer through elimination of waste and reduction of costs involved in marketing—in brief to narrow the margin between producer's price and consumer's price, to the benefit of the producer, through the economies of large scale operations under producer control (Brief, Part 1, p. 7 and p. 12).

The "elimination (or reduction) of speculation" and "direct selling" seem to have been based as much on dislike of the Grain Exchange futures system as upon economic motives. Direct selling may, if efficient and successful, bring to the farmers money that would otherwise form the profits of exporters, usually less than a cent a bushel, but can have little other economic effect, save as an instrument in a plan, if any, to extract higher prices through control of supply. Likewise the "elimination of speculation" so far as concerns the hazards imposed on the individual farmer by the existence of a speculative market, was accomplished by the mere act of forming the Pool. Each Pool member was completely insulated, as an individual, from the price fluctuations of the market. Yet the Pool ideology evidently went further than this and was based on an antagonism to speculation as such, considered to be vicious, and to have a depressing effect on prices, and a consequent desire to restrict and if possible eliminate it. It is now recognized by Pool leaders, and has been throughout by economists discussing pooling, including Prof. Patton, that a Pool cannot eliminate speculation beyond the sphere of its own operations, and cannot reduce fluctuations in world prices; but some such object was in the minds of those who had what may be called the crusading motive in joining the Pool, and continued, and to a considerable extent still continues, though in a more realistic fashion, among Pool leaders.

LESSONS OF 1929-30

Before leaving the subject of Pool activities I must refer again to the events of the crop year 1929-30. I do not do this for the mere purpose of piling up evidence of mistakes that may have been made by Pool officials during that period. It is only too easy, after a lapse of years, to look back-

wards and point out the errors and shortcomings of others who carried a heavy responsibility under most unusual conditions, and who were anxious throughout to do their best for those whom they represented. But there are certain lessons to be drawn from the events of that time which must be preserved for the sake of the future.

The fall of 1929 saw the collapse of a "boom" period and the birth of a depression of great length and severity. The wheat market furnishes one of the most enlightening manifestations of the transition from one state to another. During the early fall months the Winnipeg market was so far out of line with Liverpool that overseas export business was severely handicapped. Canadian exporters having to buy at Winnipeg and sell at Liverpool were practically unable to do business. And we have seen how the Pools acted. They refused to sell in the futures market when, as it subsequently appeared, it would have been greatly to their advantage to do so, and although they had done so on former occasions. They held their cash prices up, and refused to compete with Argentine sellers. Some of their officials and their publications announced publicly that they would not come down to the Liverpool market prices but that they would hold their wheat and that in due time the buyers would come to them. And what in one respect is especially serious, some of them went so far as to take credit for having put Winnipeg prices up and stated that they were now in control of these prices. Then, when the recession began, they failed to read the signs correctly. They attributed the downward trend to "bear raids" and other forms of manipulation. Instead of selling they went into the futures market and bought speculatively, thereby incurring a loss of \$2,014,000.

A few references from Pool sources will serve to show the prevailing sentiment. The first three references are taken from Ex. 454:

On September 12, 1929, when the Winnipeg cash price for wheat was \$1.57½ and the October future \$1.58½:

"A merchant does not sell his goods at a sacrifice because there are delivery wagons at the door whose drivers want to get working. . . Yet the financial men in Montreal would like to see the Wheat Pool sacrifice its wheat because some cargo boats are there to take it away, and some importers in Great Britain sagely hold the belief that the wheat would sell more rapidly if the owners lowered the price. . . The Wheat Pool is being charged with holding wheat at extortionate prices. What is really happening is very simple. The Pool, through its world wide organization, and with, as a consequence, extensive information upon which to base its selling policy, is making an effort to secure a reasonably profitable price for the wheat it has to sell. . . They (the Pools) do not propose to sell at sacrifice prices when they are reasonably certain, from the information in their possession, that they can secure a price which will give them a reasonable return; and they do not have to sell."

On October 10, 1929, when the Winnipeg cash price was \$1.46½ and the December future \$1.47½-⅝:

"The Pool in Control.—There is a recognition of the fact that it is the attitude and the stand taken by the Canadian Wheat Pool which has held the price of Canadian wheat to its present level in the face of the serious congestion in domestic storage warehouses. So far as we can recall, no more general recognition of the power of the Wheat Pool to influence prices or the movement of Canadian grain generally, has been in evidence since the formation of the Pool than is evident at the present time."

On October 2, 1929, when the Winnipeg cash price was \$1.44⅝ and the December future was \$1.46¼-⅜:

"Sales of wheat to Europe could be effected at the present time but only at the cost of serious reduction in farm income and restriction of Canadian business for the coming year. The world situation justifies higher prices than those at present ruling."

Then, from the evidence, at pages 6833 and 6834. On September 28, 1929, when the Winnipeg cash price was \$1.41¼ and the October future was \$1.41⅜:

"Through that influence exercised by the Pool Canadian wheat has continually been pressing to higher levels and continually been leading other wheat exporting countries in this respectIncreased control and volume of wheat through the organization is to make the organization unassailable and more impregnable, and enable it to maintain the lead that the Pool has established in maintaining Canadian wheat price levels, the world lead that the Pool has established for Canadian wheat. . . .If the United States and Argentine and Australian farmers had as large a measure of control over the wheat in those countries as we have in Canada, I have no doubt that the farmers belonging to the wheat exporting countries in the world would be able to secure the maximum advantageous results that any measure of control would give as far as prices are concerned."

Again from the evidence at page 6836. In October, 1929:

" . . . The Pool selling office believes that owing to the flooding of the European market with wheat from Argentine and the United States, the price in Liverpool is out of line with the actual wheat situation, and it has refused to sell in what for the time being is purely a buyer's market. As a consequence the Canadian wheat movement has been almost halted."

Again from the evidence at page 6833. In September, 1929:

" . . . the Wheat Pool method of holding back crop surpluses is sound and is compatible with the practices adopted by practically

every large successful business concern in the world to-day. . . . During the past few months the United States wheat crop has been thrown on the wheat markets in an unparalleled flood. The result has been that prices have been very greatly depreciated. . . . The Wheat Pool by holding off tremendous supplies materially stabilized the market last season. . . ."

All the above statements were made publicly by high officials of the Pool or by Pool organs.

They show that, notwithstanding the Pool's excellent world-wide information service, and the high ability and earnestness of purpose of its officials, the situation was misjudged and the impending depression was totally unforeseen. The other facts (such as the unfortunate buying of futures in 1930), show that this state of error persisted for a considerable time after the depression had settled over the world. They also show, especially when taken with some other statements, already quoted, made in earlier years, that the conviction had been acquired that Winnipeg prices were made and maintained, not by world factors, nor by the buyers' needs and their willingness and ability to pay, nor by the volume of actual trade and of speculation, but by the Pool.

The conclusion to be drawn from all this is that the grain trade, and especially the wheat trade, of the world offers day to day problems of a perplexing kind; that notwithstanding the best of ability, information and good will added to the experience of several years, one may easily go astray; that forecasting the future, even the near future, is a perilous occupation when it is backed by one's money or merchandise; and that those who control immense quantities of wheat do not always possess the influence on the market which might be supposed. In the present case it might, perhaps, be added that a sense of responsibility to a large number of constituents and the fear of not achieving the best possible results have a harassing effect on those who must make decisions.

SUMMARY

I have dealt with the work of the Pools at some length and have made no attempt to pass lightly over such defects in the system or in its operation as have been made known to me by the evidence. In doing this, I have had in mind the thought that the co-operative marketing of wheat is something essentially sound and that it contains possibilities for the future. It is all the more necessary then that this important experience in co-operation should be recorded and analyzed with care. If the idea was to be considered as intrinsically false and now definitely abandoned, the wise thing to do would be to say little about it. I have not followed this course. My examination of pooling as carried on in western Canada for a number of years has been as searching and as critical as I have been able to make it because I think that the history of those years is of value, now, and will continue to be of value in the working out of future problems.

To sum up as briefly as possible, I may say that, in my opinion, the wheat pooling system was beneficial in several respects: (1) it relieved its members of their principal market worries, which are considerable, and procured them a uniform price within each year; (2) on the whole, the price obtained was a fair and satisfactory price; (3) it continued and expanded an integrated farmer-owned grain-handling system; (4) it provided a "service at cost" basis of operations; (5) in so far as its own members were concerned, it relieved them of whatever evil effects may attend heavy hedging pressure in the fall. A sixth point, connected with this last one, is more difficult of treatment. Did the non-hedging policy of the pools have a good effect upon fall prices? If this were so, the result would have benefited non-Pool farmers, and I said in an earlier part of this report, that it might be expected to have been noticeable, since the Pool marketed at least 50 per cent of all the wheat. The record does show that during the years of pool operations the level of prices throughout the year was more constant than it had been before or than it has been since. But at the same time other factors were in play which cannot be left out of consideration. On the whole, though, I think that, while the problem is not capable of definite solution, the Pool did contribute to this result.

But there is another side to the story. I think (1) that the policy of the Pool not to deal through grain merchants in the United Kingdom was injurious both to the United Kingdom traders and to the selling of Canadian wheat; (2) that Canadian traders also suffered to some extent and permanently; (3) that a feeling of alarm was engendered in importing countries by some of the declarations made at the international conferences at St. Paul in 1926 and Kansas City in 1927 which were attended by Canadian Pool representatives; (4) that the statements made with great publicity in the fall of 1929 by Pool officials and organs, coupled with the non-selling policy pursued, were detrimental to our market interests.

On the whole, it seems to me, in regard to (3) and (4), that too much talk and agitation were mixed with business. All these announcements took the form of indirect promises to the Pool farmers, and made a change of selling policy all the more difficult to adopt, even if those who made the announcements became convinced subsequently that a change was imperative. In my opinion, Mr. Bredt's evidence reveals this situation. Then again, human nature has its exigencies, and those making such announcements could not help feeling an inward reluctance to go back on them. Finally, the challenging nature of some of these declarations must have had a bad effect among buyers.

Those who buy our wheat are shrewd business men interested in getting a good product at a price measured in relation to their necessities and to the value of competing products. They do their buying quietly and on considerations which they have reduced to a science. It seems to me that selling also should be conducted without undue publicity, on business principles, by men who keep themselves free to shape and reshape their policy from day to day, if necessary, to meet shifting conditions. There

is no reason why a pool should not be operated on such lines. Nor should considerations of a permanent, general character be allowed excessive influence. For instance, I have quoted on page 55 from an article in *Wheat Studies*, Vol. 14, October, 1937, which says that the Canadian marketing system is subject to an extreme strain because (1) our harvest (unlike that of the Argentine) comes at a time when world supplies are at their seasonal maximum, and (2) our wheat possesses special milling characteristics which call for its being fed into consumption more or less uniformly throughout the year. These facts are important. They should be noted and borne in mind by co-operative (or other) sellers as market factors. But I do not think they should detract from what, after all, is the paramount consideration: the securing of a good price and the free access at all times into overseas markets. And this paramount consideration requires an elastic, adaptable selling policy. I should add that there is no evidence that the Pools did give undue attention to the factors mentioned in *Wheat Studies* and referred to above. I deal with them here to prevent any misunderstanding that may have arisen from my use of the quotations from *Wheat Studies*.

Another point I think worth mentioning is that small pools seem capable of doing satisfactory work. Thus, during the years of voluntary pooling, when only about 20,000,000 bushels in all were handled, the prices realized were considerably higher than the extremely low prices reached during a part of the period, notably in December, 1932; the pooling members were thus protected from the worst extremes of the world price depression.

CHAPTER VII

PRICE STABILIZATION MEASURES

I have already stated the circumstances under which Mr. John I. McFarland became manager of the Central Selling Agency in November, 1930. The responsibility which rested upon him was heavy at the start but became greatly increased in the summer of 1931 and onwards until he resigned from office in December, 1935. The work which he carried on was of an exceptional character and he was virtually in sole command of the policy pursued. This policy has been the subject of much discussion in Canada, in the United Kingdom and on the continent of Europe. I think it well, therefore, as an introduction to quote what Mr. McFarland himself says of the circumstances in which he accepted office and the motives which inspired him:

"When the price structure completely collapsed in November, 1930, I was urgently requested by the directors of the Canadian Co-operative Wheat Producers Ltd., to accept the position as general manager of that company. Their request was ardently supported by the officers of the Canadian Bankers' Association, and by the prairie premiers. I was most reluctant to re-enter the grain business in any capacity or under any conditions; besides the great depression was on and my own affairs were in need of my personal attention. It was pointed out that, as I was one of the very few grain men who at that time was in no manner connected with the grain business, it was my duty in that national emergency to accept the position. Under the circumstances I finally consented and, subject to certain conditions, I accepted the responsibility for one year. At the expiration of the first year the world situation was even worse and more hopeless. The question was asked why did I not quit at the end of the first year? My answer was that only a coward could quit, and having started I could not turn back.

"Because of the unusual conditions prevailing at that time and afterwards, I preferred that I should not be bound by the restraints which might be considered applicable to a paid employee, and I therefore refused to accept any remuneration from the Canadian Co-operative Producers Ltd., other than my out-of-pocket expenses. It was generally believed to be an emergency which many prominent people believed would be of short duration. My chief interest was to encourage and endeavour to maintain confidence at home and abroad."

One of the first steps Mr. McFarland took upon assuming office was to withdraw the Pools' overseas representatives and to arrange to conduct business through the ordinary trade channels. He published in the press a statement which indicated his policy in this regard:

"Recently there was held at London, England, an Imperial Conference representative of all the nations of the British Commonwealth. One of the major problems discussed was the possibility of widening the market within the Empire for Empire products. Much attention was given to the marketing of wheat in the United Kingdom and elsewhere throughout the Empire, either as grain or flour. Discussions are to be resumed at Ottawa during this coming year. It is hoped that something definite and concrete will be accomplished at that time for the benefit of producers throughout the British Dominions. In the meantime it is important to do all within our power to win the confidence and goodwill of British importers and millers, so that Canada may be in the strongest possible position to take advantage of any opportunity that may arise for consolidating its position in the market of the United Kingdom and Ireland, as well as in Europe and elsewhere. To that end it has been considered advisable to withdraw our direct representatives from overseas. This should demonstrate beyond the possibility of doubt the truth, or otherwise, of the statements frequently made that the maintenance of direct representation overseas has militated against the sale of Canadian wheat.

"I do not hesitate in taking this action, as I am confident it is the duty of this great organization of farmers to take steps such as will assist in removing from the minds of the grain and the milling trades abroad, and in Canada as well, from the public mind, a prejudice which has unwittingly become prevalent that the Pool's policy was designed to combat the world and plough a lone furrow to the detriment of the consumer abroad and to the grain and milling trades in general. There is no doubt that this sentiment prevails overseas.

JOHN I. McFARLAND,
*General Manager, Canadian Co-operative
Wheat Producers Limited."*

I have already shown that when Mr. McFarland took charge of the Central Selling Agency in November, 1930, there were on hand 36,935,000 bushels of Pool wheat with deliveries still to come in during the crop year. At the end of the crop year he had a carry-over of 75,164,000 bushels of which 47,555,000 consisted of futures and 27,609,000 bushels of cash wheat.

In the meantime conditions in the grain trade were getting worse instead of better. The depression was becoming more and more extensive.

The statement made before the Stamp Commission on behalf of the Pools has already been quoted from.

The Pools said:

"we do not for a moment contend that the present extremely low price of wheat is due to the system of futures trading, as we are well aware of the many important factors each of which is partly responsible for present deplorable prices."

But special reference was made to the absence of the speculator:

"the failure of the institution of speculation to assume anything like the risk carrying function so commonly attributed to it";

—and to the fact that

"the general public has lost enormous sums of money, and confidence as well, and are not at present in the market with sufficient resources to carry the risk of price fluctuation by buying hedges and whatever contracts may be offered by short sellers."

As the months went on, fears were entertained for the selling of the new crop then maturing. Reference has already been made to a meeting in July, 1931, of the Select Standing Committee of the House of Commons on Agriculture and Colonization. On that occasion the Pools again gave expression to views similar to those submitted to the Stamp Commission and representatives of the Grain Exchange were also heard. The absence of the speculator was given as the principal ground of apprehension and the proposal was made that government intervention of some kind should be authorized to meet the probable disastrous effect on prices which would result from an excess of selling over buying trades by hedgers.

The result was that purchases of futures intended to "stabilize" or "support" prices were begun by Mr. McFarland in July, 1931.

The following table will show the extent of Mr. McFarland's stabilization operations from time to time and the result at the end of the period.

FARMERS' MARKETINGS OF WHEAT IN PRAIRIE PROVINCES, GROSS PIT PURCHASES AND SALES OF CANADIAN CO-OPERATIVE WHEAT PRODUCERS LTD. SPECIAL SUSPENSE ACCOUNT AND HOLDINGS IN THIS ACCOUNT AT END OF CROP YEARS.

	Farmers' marketings	Special Suspense Account, Canadian Co-operative Wheat Producers Ltd.	
		Gross pit purchases	Gross pit sales
	(000 bushels)	(000 bushels)	(000 bushels)
1931			
July.....	5,436	3,178	-
August.....	11,862	1,740	-
September.....	47,441	3,423	-
October.....	76,321	2,510	-
November.....	41,735	-	2,105
December.....	18,768	-	-
1932			
January.....	10,851	-	-
February.....	12,245	-	-
March.....	12,948	1,050	315
April.....	5,982	445	610
May.....	7,514	520	155
June.....	16,274	8,356	4,022
July.....	3,238	12,993	2,085

HOLDINGS IN SPECIAL SUSPENSE ACCOUNT AT JULY 31, 1932—23,602,000 BUSHELS.

1932			
August.....	17,634	679	21,430
September.....	120,539	2,680	10,922
October.....	81,038	64,260	657
November.....	38,122	15,247	1,820
December.....	18,486	5,512	1,429
1933			
January.....	11,299	1,187	-
February.....	11,544	270	-
March.....	20,849	-	4,509
April.....	10,313	840	1,485
May.....	10,849	-	850
June.....	19,465	300	2,128
July.....	10,523	31,772	27,817

HOLDINGS IN SPECIAL SUSPENSE ACCOUNT AT JULY 31, 1933—73,297,000 BUSHELS.

1933			
August.....	25,624	5,496	2,877
September.....	55,586	29,736	2,079
October.....	46,414	27,880	1,728
November.....	23,011	7,175	3,890
December.....	10,293	1,156	757
1934			
January.....	10,422	1,080	1,299
February.....	8,263	1,340	3,851
March.....	9,087	850	10,010
April.....	7,349	45	13,721
May.....	8,338	263	12,459
June.....	12,314	4,738	2,466
July.....	10,937	8,268	6,067

FARMERS' MARKETINGS OF WHEAT IN PRAIRIE PROVINCES, GROSS PIT PURCHASES AND SALES OF CANADIAN CO-OPERATIVE WHEAT PRODUCERS LTD. SPECIAL SUSPENSE ACCOUNT AND HOLDINGS IN THIS ACCOUNT AT END OF CROP YEARS—*Concluded*

HOLDINGS IN SPECIAL SUSPENSE ACCOUNT AT JULY 31, 1934—100,120,000 BUSHELS.

	Farmers' Marketings	Special Suspense Account, Canadian Co-operative Wheat Producers Ltd.	
		Gross pit purchases	Gross pit sales
	(000 bushels)	(000 bushels)	(000 bushels)
1934			
August.....	30,775	12,135	6,597
September.....	55,583	24,430	456
October.....	50,816	30,445	1,021
November.....	23,602	842	1,295
December.....	12,514	265	125
1935			
January.....	3,874	25	57
February.....	8,816	387	510
March.....	8,129	254	500
April.....	6,577	507	6,127
May.....	5,626	4,230	1,394
June.....	9,334	330	7,044
July.....	12,586	2,637	10,749

HOLDINGS IN SPECIAL SUSPENSE ACCOUNT AT JULY 31, 1935—137,573,000 BUSHELS.

1935			
August.....	13,256	1,620	5,314
September.....	73,176	8,116	9,894
October.....	59,999	400	1,759
November.....	21,044	—	—
December.....	14,217	—	—

HOLDINGS IN SPECIAL SUSPENSE ACCOUNT TRANSFERRED TO CANADIAN WHEAT BOARD AS OF DECEMBER 2, 1935—130,409,000 BUSHELS.

N.B.—The purchases and sales exclude spreading transactions.

Apart from the Special Suspense Account, there was the 1930 Pool wheat accumulated during the crop year 1930-31 and amounting at July 31, 1931, to 75,164,000 bushels and at August 31, 1931, to 76,648,000 bushels. The total amount of these holdings did not vary significantly throughout 1931-32, 1932-33, 1933-34 and 1934-35, being 76,376,000 bushels at July 31, 1932, 76,375,000 bushels at July 31, 1933, 76,117,000 bushels at July 31, 1934, 76,115,000 bushels at July 31, 1935, and 74,778,000 bushels when taken over by the Canadian Wheat Board as of December 2, 1935.

"PEGGING" OF WINNIPEG PRICES

Mr. McFarland says that in the fall of 1932 he "attempted to support the market at 50 cents" (p. 101 Evidence, 1934 Banking and Commerce Committee). This was unsuccessful as his credit was exhausted on October 25 and the price fell. This was not strictly a price peg.

On August 14, 1933, at Mr. McFarland's request, an order of the Winnipeg Grain Exchange prohibited trading in the October future below 70½ cents a bushel. The price then remained at or slightly above this figure but from September 8 to 13 all trades were made at the pegged level. Mr. McFarland had to buy heavily (14,653,000 bushels) in order that hedging could be done. On September 15, the peg was removed and the

October future price fell during the next 30 days to $54\frac{1}{2}$ cents on October 16, despite net purchases of 31,756,000 bushels by Mr. McFarland.

On November 1, 1934, the Exchange at Mr. McFarland's request pegged the December future at 75 cents and May at 80 cents. (Subsequently, the July future was also pegged at 80 cents.) This peg was maintained until the July future expired, without the help of stabilization purchases.

EFFECTS OF STABILIZATION

As to the effect of price stabilization measures on overseas markets, I must say that the unanimous opinion obtained from millers, merchants and traders was unfavourable to the system. They all expressed the belief that its results were injurious to the sale of Canadian wheat in the market. The market dislikes selling monopolies or near-monopolies, the retention of wheat from sale, or anything which looks like an attempt to secure prices out of line with those paid currently to other sellers. They blamed the stabilization measures for all these things.

On the other hand Mr. McFarland had some valuable approval of his policy at least in so far as his actions resulted in giving producers a higher price than they would otherwise have received. One of the outstanding figures in the British grain trade was the late Sir Herbert Robson. Certain correspondence between Sir Herbert Robson and Mr. McFarland (Ex.380) shows that the former approved of the latter's activities. Particular reference is made to a statement made by Sir Herbert Robson in a letter written by him on April 4, 1935, where he says:

"I most emphatically agree with you that it would have been impossible for the organized Winnipeg market to have carried the burden of hedges in Canadian wheat without complete disaster to the three Canadian Western Provinces. Further, with free and open markets there would not have been a solvent wheat farmer left in any part of the world. Every single Government has had to assist its wheat farmers. The measure of assistance given in Canada seems to me to be far less than that given anywhere else. It is therefore to my mind ridiculous for anyone to complain that the Canadian Government has supported the wheat market."

The trouble begins when the overseas consumer is asked, in turn, to pay these relatively high prices for Canadian wheat.

Stabilization was begun in abnormal times. Speaking of such times, the Stamp report says at page 70:

"In abnormal times conditions exist for working this system of futures and, indeed, any rival systems of handling grain, on unusual lines, and no inferences drawn from the practical observation of the behaviour of prices and of markets at such times have any necessary validity as indications of the economic value of futures

in normal times. It is at such times that some features of the futures system may be most open to criticism, and it is at such times that the disposition to criticize will be most excited, but it is precisely at such times that fair tests of the normal working of the futures system can least satisfactorily be made."

The abnormality of the times in the summer of 1931 and afterwards was evidenced by the absence from the futures market of the speculator, and initially, it was this fact that led to the institution of Mr. McFarland's activities as a buyer of futures. The policy of withholding supplies was not necessarily bound up with that of buying futures. It was rather this withholding of wheat from the market, giving rise to a fear among buyers of an attempt to extort unreasonable prices, that led to the criticism overseas, and caused consumers to turn elsewhere for their requirements.

In any event, stabilization was an exceptional incident in the Canadian grain trade resulting from the misfortunes of the Pools and the unprecedented world-wide depression. It is to be hoped that similar conditions will not occur again. If they do it may be better to meet them by some other form of intervention. Mr. McFarland had an unusually heavy burden thrown upon him,—a series of years of unprecedented character, with no guide to be found for him in the past experience of the grain trade. The example of the United States Federal Farm Board was not of much use, because the work of that Board, as it said in its third annual report, was "to throw the full weight of its resources in support of domestic prices." But the domestic price problem in the United States, with the great bulk of the crop necessarily consumed at home, is a different thing from the problem of a Canadian price for wheat by far the greater portion of which has to be sold in other countries in competition with other wheats. The probable effect of our policies upon overseas markets is a consideration we must always keep in view.

From the financial point of view the policy of piling up immense holdings was naturally a hazardous one. There was no saying how it might turn out. Mr. McFarland agreed that the success of the holding policy depended on Nature reducing the surplus by short crops. He said, "I think we should depend somewhat on nature, I do."

I have already shown how this "stabilization" wheat was finally disposed of by the Canadian Wheat Board at a net profit of \$9,628,881.23 after four years of disastrously small crops. (See Chapter III, page 38.)

THE CONCLUSION OF STABILIZATION OPERATIONS

"The Canadian Wheat Board Act, 1935," came into operation on July 5, 1935. The members of the Board were appointed on August 14, Mr. McFarland being appointed Chief Commissioner. He continued also as General Manager of the Canadian Co-operative Wheat Producers Limited. The Wheat Board's initial payment on deliveries of the 1935

wheat crop was announced on September 6 and on the 25th the Board commenced to receive deliveries of such wheat.

Section 7 (f) of the Act authorized the Board

"to acquire from Canadian Co-operative Wheat Producers Limited, upon terms to be approved by the Governor in Council, all wheat or contracts to purchase or take delivery of wheat in respect of which the Government of Canada has given a guarantee."

Section 8 of the Act defines the duties of the Board, special reference to the sale of wheat being found in paragraphs (b), (c), (i), (j). These paragraphs are as follows:

"8. It shall be the duty of the Board:

- (b) to sell and dispose of from time to time all wheat which the Board may acquire, for such price as it may consider reasonable, with the object of promoting the sale and use of Canadian wheat in world markets;
- (c) to sell and dispose of stocks of wheat and contracts for the delivery of wheat acquired from Canadian Co-operative Wheat Producers Limited and the wheat represented by such contracts as may be reasonably possible, having regard to economic and other conditions;
- (i) in selling and disposing of wheat as by this Act provided, to utilize and employ without discrimination such marketing agencies, including commission merchants, brokers, elevator men, exporters and other persons engaged in or operating facilities for the selling and handling of wheat, as the Board in its discretion may determine;
- (j) to offer continuously wheat for sale in the markets of the world through the established channels: Provided that the Board may, if in its opinion any existing agencies are not operating satisfactorily, take such steps as it deems expedient to establish, utilize and employ its own or other marketing agencies or channels";

The Act was apparently intended to terminate stabilization operations. It provided a Government-controlled and financed voluntary pool, so that any farmer dissatisfied with the price available under the unrestricted open market could deliver to the Board and be sure of getting not only a Government-guaranteed price, but a share in any surplus in case the Board should succeed in selling the crop at higher prices. There was thus no need for stabilization purchases in the autumn of 1935, and the Board itself was forbidden to make open market purchases by paragraph (b) of section 7 which provided that "no wheat shall be purchased by the Board except from the producers thereof." But the Act not only ended further stabilization purchases, but provided by section 7 (f) above quoted for the disposal of stabilization holdings.

An agreement between the Canadian Co-operative and the Board was entered into on October 8, 1935, and ratified by Order in Council P.C. 3199, dated October 10, 1935, providing for the transfer of the stabilization and old Pool wheat to the Board in pursuance of the Act. The transfer of the stabilization wheat had not been effected by December 2, 1935, the date of Mr. McFarland's resignation as Chief Commissioner of the Wheat Board although negotiations were under way. The relations between the stabilization agency (which was what the Canadian Co-operative had virtually become) and the Wheat Board were very intimate, however, by reason of the transfer of staff, of high officers of the one being also high officers of the other, of the use of the Canadian Co-operative's membership in the Clearing House for clearing the futures trades of the Wheat Board, and of the fact that Mr. McFarland, who was in complete charge of stabilization, was also Chief Commissioner of the Wheat Board.

However, since the actual transfer of holdings was not formally completed, Mr. McFarland, who as Chief Commissioner of the Wheat Board was forbidden by statute to make purchases of futures in the open market on behalf of the Board, nevertheless felt himself free to do so as manager of the stabilization agency. Stabilization operations from the 1st of August were as follows (000 bushels):

1935	Sales of 1930 Pool Wheat	Stabilization			Total holdings at end of month
		Pit purchases	Pit sales	Other sales (net)	
August.....	425	1,620	5,314	*(214)	209,783
September.....	626	8,116	9,894	270	207,109
October.....	259	2,009	3,455	159	205,332
November.....	147	nil	nil	120	205,065

*Acquisition, not sale.

At November 30, therefore, the holdings of the stabilization agency (including 1930 Pool wheat) were 205,065,000 bushels; at the same date the Wheat Board held 90,189,187 bushels, so that the combined holdings amounted to 295,254,187 bushels.

During this period of August, September and October, when stabilization operations were continuing, country deliveries were 145,670,535 bushels and deliveries to the Board were 63,789,477. Evidently a part of the country deliveries not received by the Board was still held by farmers, for in November the Board received 38,977,378 bushels although country deliveries were only 21,043,204 bushels. The decline of the market price in late October below 87½ cents also indicates that speculators who had bought the non-Board wheat at more than 87½ cents were taking a loss—for no farmer's wheat, presumably, would be hedged when the price was less than what the farmers could get by delivering to the Board.

MR. MCFARLAND'S OPERATIONS UNDER THE CANADIAN WHEAT BOARD ACT,
1935

Mr. McFarland started his operations under the new Act on September 12 by making sales on the futures market. In the four month period August to November, country deliveries amounted to 167,475,000 bushels, of which the Board received 102,766,855 bushels (Exhibit 428). Net sales during the same period amounted to only 12,577,668 bushels. While considerable quantities of cash grain were sold (34,960,668 bushels), futures were acquired in exchange to the extent of 34,778,000 bushels. It has been pointed out earlier in this chapter that market prices for cash wheat remained above the initial payment of the Board until late October. With such prices prevailing and having in mind heavy deliveries to the Board, it is hard to conclude that the intentions of the Act (particularly Section 8 (j)), were carried out.

OPERATIONS IN COARSE GRAINS

Mr. McFarland was also examined on his handling of coarse grains belonging to the Pools and it will be well to refer briefly to these transactions. With the exception of one occasion, hereinafter referred to, there were no open market purchases of any of the coarse grains oats, barley, rye and flax during the period of stabilization operations.

When Mr. McFarland became general manager, the Canadian Co-operative was conducting the usual pools in these grains. Mr. McFarland stated he left these matters in the hands of the regular coarse grains department of the Company at first, he himself not exerting direct authority until the end of July, 1931.

"From that time on we did no stabilizing or anything else"
(evidence p. 7304).

"None of the coarse grains were at any time stabilized"
(evidence p. 7398).

The Pool had received these grains in 1930-31 at varying initial payments, as in the case of wheat, the initial payment being lowered on one or two occasions as the market prices progressively declined. Since no surplus accrued from sales during 1930-31, it followed that different Pool members had received different prices. Accordingly, said Mr. McFarland:

"We were holding the oats, the barley, the rye and the flax, trying to wait for a time until probably the market might be good enough so as to sell it and get back for those farmers who had received a low initial payment enough to bring them up on a level with those who had received the highest payments." (Evidence p. 7304.)

Only small quantities were left.

"There was not any volume at all, and it was a matter of holding with the possibility of securing for the lower price farmers

something in the shape of a payment that would even up with the higher price farmers." (Evidence pp. 7388-89.)

Here it may be mentioned that all Dominion Government guarantees always referred to "wheat and other grains" so that there was as much legal authority for stabilization operations in coarse grains as in wheat. Mr. McFarland maintains, however, that there was in fact never any stabilization.

The quantities of coarse grains held by the Company are set forth below (carry-over being given as at August 31, the end of the Pool fiscal year):

	Delivered to Pool by members during 1930-31	Remainder of 1928 and 1929 crops, all sold during 1930-31	Total quantity to be sold	Sales to end of November 1930	Sales from Dec. 1, 1930 to Aug. 31, 1931	Unsold at Aug. 31, 1931
	(000 bush.)	(000 bush.)	(000 bush.)	(000 bush.)	(000 bush.)	(000 bush.)
Oats.....	5,317	1,618	6,934	1,677	3,973	1,285
Barley.....	6,356	4,594	10,950	3,759	5,439	1,752
Rye.....	2,257	984	3,241	1,353	1,130	758
Flax.....	1,431	284	1,715	651	659	405

All the carry-over from 1928 and 1929 was sold by the end of July, 1931, so the unsold carry-over at August 31, 1931 was entirely 1930 crop. Of this amount, Mr. McFarland spoke as follows (evidence p. 7399):

"We were simply holding a small quantity which was left over from the fall of 1930 as at August 1, 1931" (this should be August 31); "we were simply holding those, which could have little, if any, effect on the market . . . I can see no evidence in the figures of the quantities we held where it could in any measure be said that it was stabilization of prices in coarse grains."

It thus appears, according to Mr. McFarland's evidence, that in the case of the coarse grains, unlike that of wheat, action was taken only for the benefit of members of the Pools. The policy was to hold until prices rose, in the hope of realizing a profit.

In carrying out this objective, the sales policy adopted seems to have been fairly successful in the case of rye and flax, but not in the case of barley and oats.

The rye was sold in November, 1931, March, 1932, June, 1933, and July, 1933, at prices very much higher than those ruling during the year 1930-1931. Likewise the flax was sold in May, June and July, 1933, at substantially better prices than those of 1930-31. In both cases a surplus was realized over the amounts paid out as initial payments, and the costs of carrying the grain until sale.

In the case of barley, 152,000 bushels were sold during the price rise in November, 1931. In July, 1933, there were sold up to the 17th a total

of 1,318,000 bushels during the bull market which developed in coarse grains as well as in wheat. The net long position was only 280,000 bushels on that date. It is difficult to see why the 280,000 bushels were not sold either during the early part of the month, or on July 18 when prices were still strong, but on which day no sales were in fact made.

When the bull market collapsed, 396,000 bushels of barley futures were bought, and at prices higher than the previous cost of the barley on hand; total holdings were thus raised to 676,000 bushels. This was the only period in which purchases of any coarse grain futures were made in the market. These transactions were not profitable. The initial payments to Pool members for 1930 barley had been on the basis of 25 cents for No. 3 C.W. barley for 5,511,015 bushels and 20 cents for 844,352 bushels. In the spring and summer of 1931 cash prices were over 30 cents but sales tapered off, as already noted, and there was a carry-over of 1,752,000 bushels at the end of August. In November the average daily price was 42½ cents but sales were only 152,000 bushels. Again in April, 1932, the average price was 41 cents but no sales were made. Meanwhile carrying costs were mounting up. In July, 1933, the average price was 50¼ cents, and during the bull movement the daily prices were considerably higher. Sales and purchases at that time have been stated above. Ultimately the remaining 676,000 bushels were sold in July, September and October, 1935, when average prices were 35½, 35¾ and 33⅞ cents respectively.

With regard to the barley transactions in July, 1933, Mr. McFarland said (evidence p. 7394) that they were very busy with wheat, and that in any event, he didn't think all the barley could have been sold (evidence p. 7395) since the market broke on the 19th. Specifically, with regard to the purchases after the break, he said that they had sold too much July futures and had gone short 396,000 bushels, and that they had to cover this by purchases. There seems to have been available, however, the other recourse open to a short-seller, namely, to deliver actual grain in pursuance of the sales contract. On July 18 the agency held 678,000 bushels of cash barley that could have been delivered, being part of deliveries which it itself had received through the Clearing House earlier in the month.

In the case of oats, final disposal resulted in the securing of a price less than what had been paid Pool members plus carrying costs. Of 5,317,795 bushels of 1930 Pool oats, 823,917 bushels had received an initial payment of 30 cents basis No. 2 C.W. oats, and 4,493,878 bushels had been paid on the basis of 25 cents. At August 31, 1931, there remained unsold 1,285,000 bushels. The market price had been under 30 cents since the previous November. In May, 1932, the month's average cash price was 35½ cents but no sales were made. About the same average existed in July and sales were 18,000 bushels. As with other grains there were comparatively high prices in July, 1933, and also in August in the case of oats, but no sales were made. In the autumn of 1934 there was another price rise, the average price in September being 45¾ cents, but there were still no sales. Ultimately 302,000 bushels were sold in July, 1935 (average

cash price $42\frac{3}{4}$), 729,000 in October (34 cents) and the remaining 238,000 bushels in November when the average price was $31\frac{7}{8}$ cents.

Mr. McFarland said he doubted if prices in July, 1933, were high enough to permit equalization of payments to Pool members (evidence p. 7388), although perhaps they were at the peak, that he was very busy with wheat and "may have overlooked a point there" (evidence p. 7389). He also pointed out that most of the oats on hand were No. 2 C.W. and fit for seed, and said that in the autumn of 1933, and again in 1934, he was holding them in case they should be required for relief purposes, at the request of the Saskatchewan Relief Commission and with the approval of the Dominion Government (evidence p. 7390). As events turned out, these oats were not needed for seed relief. He doubted if prices in the autumn of 1934 were high enough to permit a surplus over the original initial payments plus carrying charges (evidence p. 7392).

As was the case with the barley, the oats were sold out in the autumn of 1935 because the Wheat Board was going to take over the Company's wheat (evidence p. 7392), but was not authorized to take over the coarse grains.

CHAPTER VIII

THE QUALITY, GRADING AND HANDLING OF CANADIAN WHEAT

Under paragraph four of the Order in Council, I am directed to inquire into "The effect of the practice of mixing and of the selection of grain for protein content by millers and exporters."

The main evidence against the practices of mixing and selection was presented to the Commission by Dr. W. R. Motherwell, M.P., at Regina and by Mr. John Glossop of Santa Monica, Cal., formerly in the employ of the Canadian Government and the McCabe Grain Co. at Port Arthur, Ont. Subsequently, officials of the Board of Grain Commissioners appeared before me to report upon the measures taken to prevent mixing and also upon the prevalence and effects of selecting wheat for protein content.

Other complaints and suggestions regarding the quality, grading and handling of Canadian wheat were heard both in this country and overseas and it has been thought advisable to treat them all under the general heading assigned to this Chapter.

The stage may be set for such a discussion by a brief description of the variable conditions under which wheat is grown in Western Canada and the methods by which the wheat is graded and handled under the Grain Act and the regulations of the Board of Grain Commissioners.

BASIC DIFFERENCES IN QUALITY

Wheat is grown in the Canadian West under a considerable variety of soil and climatic conditions which is the essential cause of variation in the product. The southern short-grass plains are typified by a combination of limited rainfall, high day temperatures, cool nights and favourable soil conditions for the production of hard, high-protein wheats of great strength. With a longer growing season free from damaging frosts, these areas can concentrate on the best varieties such as Marquis, Reward and Red Fife. Further east, mostly in the Red River Valley of Manitoba, the threat of rust has led to the production of a high proportion of Durum wheats. (This type of wheat is used in the manufacture of semolina, macaroni and like products and only rarely and sparingly in the making of bread flours.) Along the northern park belt and the northwestern fringe of the Alberta foothills, there is commonly more moisture in the soil and also different atmospheric conditions which tend to delay ripening and reduce the percentage of protein. The soils of this area, especially those of the grey-wooded type, are also not so well adapted to high protein wheat production. In addition, as was pointed out in evidence, the lower quality of wheat in these areas is accentuated by the fact that the variety Garnet

finds its greatest concentration there. As stated by witness Dr. A. G. McCalla, Research Assistant, Associate Committee on Grain Research, Department of Field Crops, University of Alberta, at Edmonton:

"the protein content of Garnet in every zone is less than for any other variety, furthermore, the loaf volume for Garnet in every zone is less than for any other variety and very substantially less."
(Evidence p. 5093.)

These differences in the product constitute a natural handicap to any system of grading. The basic lack of uniformity cannot be entirely removed. The objective is to achieve the best possible result in conjunction with the economical methods of bulk handling.

GRADING AND RECENT DIFFICULTIES

The Canadian system of grading is based upon a physical examination of such factors as weight per measured bushel, varietal content, percentage of hard, vitreous kernels, degree of soundness, and amounts of foreign material and wheats of other classes. The minimum requirements of each statutory grade are set out in the Canada Grain Act. The standards of commercial grades are fixed by the Grain Standards Board as it meets each year. As explained by Mr. E. B. Ramsay, Chief Commissioner of the Board of Grain Commissioners (evidence p. 12753), protein content—

"is not mentioned specifically in the legal definitions of the grades, but in a rough and ready way it is recognized by the percentage of 'hard red vitreous kernels' necessary to permit wheat to be allotted to any specific grade."

As the basis of the grades, standard samples must be set early in the crop year; variations above these standards within the grades occur as a result of the basic climatic and geographical factors outlined above. Mr. Ramsay pointed out (evidence pp. 12756-7) that western Canadian wheat is graded to the highest standards in the world.

"It is not until you come into the neighbourhood of Manitoba 3 Northern that you reach the price level of competing wheats graded under other methods or shipped on the f.a.q. system."

Separate export standards have been in force since 1930, being 75 per cent of the average quality of the grade passing the initial inspection points and 25 per cent of the minimum of the grade, the standard sample. There is, of course, a wide variation in the protein content within the grade at primary inspection. During the bulk handling system this variability is reduced before shipment. (The matter of variation within the grades is considered again under Overseas Criticism on page 114.)

In recent years, it must be acknowledged that two factors have been unusually prominent in their effects on the Canadian grading system. In

the first place, the carry-overs built up from successive crops in the period 1930-1935 were from different crops graded under different standards and were being shipped overseas concomitantly, especially in 1936. Of this, Mr. E. B. Ramsay (evidence p. 12756) said:

"The Canadian grading system is further primarily based on an annual clean-up of each crop as it occurs so that the recent situation in respect to accumulated carry-overs has probably occasioned more unrest with the buyers than would otherwise be the case where the annual standard actually represented the wheat being shipped."

This undoubtedly caused more variation than usual. Secondly, there is the fact that in greater or less degree in the years since 1928, the southern areas producing the highest quality, highest protein wheat have been ravaged by drought and in 1935, by rust. Near-average crops of this period were in 1930 and 1932; since the latter date, with drought persistent in the south, the northern areas producing wheat of lower protein content have supplied an unusually high proportion of the western output. This has reduced the average quality of shipments, especially those out of Vancouver. Vancouver, as was pointed out in evidence, drains a territory where lower quality wheat is a high proportion of the total. The same area is also characterized by high percentages of Garnet wheat in the crop. This recent shift in production, which we hope and expect is temporary, has also tended to increase variation within the grades, especially those into which Garnet has previously been admitted.

In normal seasons, the resultant lower protein content and variation within the grades are most evident in the lower grades. The higher grades from the south of the province usually go through without much admixture with Northern Alberta wheat, simply because a smaller fraction of the Northern-grown wheat enters these higher grades.

THE PLACE OF CANADIAN WHEAT IN DOMESTIC AND FOREIGN MILLING PRACTICES

The particular quality of Canadian wheat that makes it desirable is strength. This quality renders it

"particularly suitable for counterbalancing deficiencies in the gluten quantity and quality of weak wheats." (Dr. Geddes, evidence p. 704.)

The lower grades of Canadian wheat are relied upon not so much for strength but as valuable fillers to increase diastatic activity or gassing power.

The Canadian mills, it is evident, use wheat of the highest grades for the domestic market. United States millers also take the highest grades under the milling-in-bond for re-export privilege because of a specialized export demand for high quality flour. In years when the

United States must import for consumption, the tendency is also to buy the higher grades when a 42 cent tariff has to be paid. Overseas millers commonly use the higher grades of Canadian wheat for blending purposes. Canadian wheat is rarely used exclusively in a grist because of several factors in the baking trade, notably the short fermentation process, baking in pans to support the sides and the "working" of cooler doughs. Such methods make possible the use of weaker and cheaper flours and reduce the necessity of strong wheat content in the flours. In Scotland, a much higher proportion of Canadian wheat is used because of different baking methods and the higher quality bread desired by the consumer. European millers use Canadian wheat for blending in much the same way as the English miller, although in more limited quantities. The need for strong wheats is greater in most European countries because of the enforced use of weak, domestic wheat, but with present import restrictions the use of Canadian wheat is limited.

There are two counteracting factors influencing the demand for Canadian wheat. On the one hand, the increased use of home-grown wheats, low in protein makes an added demand for strong wheat, such as Canadian, to maintain quality. On this point, Dr. J. H. Shollenberger, who made a special study, reported:

"The quality requirements for foreign wheat in European markets will tend toward higher levels in the future. In other words, the demand for strong-quality wheats will be even more insistent than in the past, with the result that price differences on account of quality will be more marked." ("Wheat Requirements in Europe." Technical Bulletin No. 535, U.S.D.A., September, 1936, Exhibit No. 679.)

Or, as Dr. Geddes phrased it (evidence p. 877):

"the one encouraging feature is that with the increased production of weak wheats in Europe the demand will be for high quality wheat and from that standpoint, it is more than ever essential that in Canada our quality must be maintained if we wish to retain our share of the export market or if we wish to secure a larger share."

On the other hand, the trend toward the short baking process and accompanying methods reduces the need for strong flours. Dr. Geddes concludes that:

"The result of this trend will inevitably be a reduction in the purchases of Canadian wheat." (Evidence p. 795.)

It was carefully pointed out in evidence that in England, uniformity was considered more important than high quality, strong flours. Bakers' methods are standardized and any change in flour quality (even an improvement in strength) may lead to poorer quality bread. This uniformity is secured by skilful blending, using different proportions of

the various wheats in accordance with their relative supply and cheapness. Argentine and Australian wheats are commonly regarded as "fillers" and as such, used in quantity when available in much the same manner as domestic wheats. The Argentine wheat preserves a balance between strong and weak types, while Australian wheat is valued as having high bushel weight and flour yield and good flavour and colour (evidence pp. 706-7). Canadian wheat is regarded as desirable, but not essential and the—

"quantities included in the mill mix depend upon several factors among which price is important" (Dr. Geddes, evidence p. 719).

CRITICISM WITHIN CANADA

Complaints from farmers regarding the grading system were much less marked than has been the experience of previous Commissions. There was a feeling that farmers in the southern areas were not getting full advantage of the higher protein and lower moisture content of their wheat. There was also a suspicion of the practice of diverting cars of selected wheat to mills in Canada and the United States. Resulting from this view there were ideas that the farmer did not always secure premiums resulting from diversion and that the quality of overseas shipments was lowered thereby. There was a definite complaint from farmers of the Peace River country on the grading of the 1937 crop. Chemists generally were alarmed at the high proportion of the variety Garnet in northern wheat and were critical of the baking quality of resultant flour. While mixing is now restricted under the Canada Grain Act to grades below No. 3 Northern (Section 125), both general and specific complaints regarding this practice were heard. Mixing in the grades Nos. 1 Hard to 3 Northern is illegal. In these top, non-mixing grades, objection was taken to the practice of binning "tough" wheat with wheat of the same grade. This, we were told, was done under regulation of the Board of Grain Commissioners as an accepted and economical method of drying. In wheat grading below No. 3 Northern, mixing is legal and permitted, but, of course, it may be objectionable. The admixture of screenings was also deprecated, although it is difficult to see how this can be carried on when it is strictly illegal under Section 130 (Subsections (3) and (4)) of the Canada Grain Act.

THE EVIDENCE HEARD

It seems necessary to introduce at this point a summary of the more important evidence submitted under the heading of this chapter.

Dr. L. H. Newman, Dominion Cerealist

The Dominion Cerealist, Dr. L. H. Newman, appeared before the Commission in Saskatoon to outline some of the agronomic problems of the western farmer and the steps being taken by the Government, in co-operation with other organizations, to provide solutions for these problems. The benefits of improved varieties and better seed were described and

stress was laid upon the value of the Crop Testing Plan in improving the quality of seed grain. In essence, the Crop Testing Plan is a co-operative linking of the Government and University workers with agents of six elevator companies, the objects being to test farmers' seed for purity and to improve the quality of seed sown. It has various ramifications. This, to my mind, is a scheme that deserves every possible encouragement and support. It is especially important in view of the efforts being made in other competing countries such as Argentina, Australia and Russia to increase the quality and uniformity of their wheat. Dr. Newman also traced the results of the development of new early, higher-yielding and rust resistant varieties of grain and left with us an impression of optimism regarding future possibilities.

The results of testing samples of outgoing cargoes of wheat for their varietal composition were given. According to Dr. Newman's conclusions, the "slight deterioration" in the quality of Canadian wheat noted recently is not alarming and is probably due to the greater proportion of northern wheat in the drought years. Dr. Newman also stated that the growing tests from cargo samples prove the ability of the grain inspectors to distinguish varieties and thereby keep the grades up to a high standard (evidence p. 1009).

The Canadian Seed Growers' Association

Mr. F. L. Dickinson, Vice-President, presented a well-documented and helpful brief for the C.S.G.A., describing their regulatory efforts in the development and distribution of pure, high quality seed. The Association is financed largely through a Dominion Government grant and very evidently serves a commercially useful purpose. A permanent Seed Purchasing Commission, similar to that which operated for a number of years (Report of Minister of Agriculture, Ottawa, 1913, Ex. No. 569) was advocated to help the financing of seed growers, to deal with seed shortages and to avoid, as far as possible, the use of unsatisfactory seed grain. It was pointed out (Ex. No. 570) that 80 million bushels of seed grain are used in Canada annually. Canada is fortunate in having strict regulations governing the production, multiplication and distribution of pure seed grain. In this connection, the greatest care is necessary to make sure that no new variety is licensed until fully tested and approved from the standpoint of quality. Because pure seed of good varieties is a basic consideration in obtaining a quality production and further because quality is so important in our export supplies, I have no doubt that the activities of this Association will always continue to receive the best consideration of the Government.

The Glossop Case

Mr. John Glossop of Santa Monica, California, appeared before the Commission at Vancouver. Mr. Glossop was formerly Superintendent of the Canadian Government Elevator at Port Arthur. After July 31, 1933, the elevator was leased to the McCabe Grain Co. by the Government and

Mr. Glossop became track-man for that company. He made certain specific complaints of irregularities in the handling of grain and the loading of vessels, while the elevator was leased by the McCabe Grain Co. Mr. Glossop had made notes at the time regarding these alleged irregularities, but it appeared on examination that most of his complaints concerned mixing in what was called in the evidence, "non-Government" grades. By this, is meant that the firm had, for their own purposes subdivisions of No. 1 Northern, for instance; they had their own grades such as "1 Select Northern, 2 Select 1 Northern and 1 Northern" within the Government grade, No. 1 Northern (evidence p. 4586). This was selection, rather than mixing, and, as will be pointed out later, selection is not prohibited by law. In other cases where Mr. Glossop mentioned mixing of "Garnet No. 2" with No. 1 Northern, such a mixture could not possibly pass inspection with a Garnet proportion of 16 per cent, according to Mr. Ramsay.

Mr. Glossop also complained of the mixing of tough with straight grade grain of the same grade. Mr. Ramsay pointed out that this is permitted under regulation of the Board (Ex. No. 607), mixing in reasonable amounts having been found to be the most satisfactory way of handling tough grain.

Mr. Glossop recommended that travelling auditors make surprise visits to elevators in addition to the year-end weigh-overs. He also thought that the Government inspector should watch bins and blackboard while an elevator is loading a boat. These and other suggestions will receive consideration under a later section on mixing.

Dr. W. R. Motherwell, M.P.

Dr. Motherwell, a former Minister of Agriculture, first in the Government of Saskatchewan and later in the Government of Canada, appeared before the Commission in Regina. Dr. Motherwell felt that protein selection resulted in impoverishment of "the great bulk of the wheat that goes overseas where we have the keenest competition" (evidence p. 7846). He believed that prices were thereby lowered because overseas buyers bid on what they have been getting, not on the statute or the samples. They usually go by the last load bought. (Evidence p. 7873.) He urged that this practice of selection for protein content be prohibited by law. He further objected to the practice of mixing tough and damp wheat with dry wheat of the same grade, and complained about elevators putting screenings in wheat to bring it up to the maximum permitted in the grade.

His definite views and recommendations on the matters dealt with in this chapter may be stated briefly, as follows:

- (1) An objection to the practice of mixing dry and damp wheat in order to bring the latter into straight grades.
- (2) A proposal that investigation be made into the moisture content of cargoes loaded at the Head of the Lakes.

- (3) That the advisability of continuing to export No. 6 wheat be considered.
- (4) A complaint that screenings are sometimes mixed into the grades.
- (5) Recommended the automatic sampling of vessel loadings.
- (6) Recommended supervision of binning and loading within the elevator.
- (7) A proposal that the abolition of the Appeal Tribunals be considered. In Dr. Motherwell's opinion, this appeal is of very doubtful value.
- (8) A complaint about what was called "switching certificates" at Montreal.

On examination of the evidence I find that the case given as an example was one that occurred in 1928 where a shipment was said to have gone forward accompanied by a certificate which did not belong to it. The law on this subject has since been changed. In 1933, in order to ensure the orderly despatch of grain from sea-ports, the Act was amended to provide for regulation by the Board of the delivery of grain to ocean vessels. At Montreal, when grain required for immediate shipment to ocean steamers is in canal boats in the Harbour or adjacent thereto, the Harbour Commissioners may deliver to such ocean vessel from their elevators grain of like quantity, kind and grade under guarantees satisfactory to them. While this practice may be open to abuse no complaints arising out of it have been made to the Board since the amendment was passed.

Dr. Motherwell regarded mixing and "protein poaching" with drought and soil drifting as the four scourages of western farmers.

Mr. D. M. Kennedy

This witness, who is from the Peace River area and, formerly, a member of Parliament for many years, appeared before me in Winnipeg (evidence p. 13597). He complained of discrimination against non-Garnet wheat in the 1937-38 grading and advocated some encouragement in the grading system to farmers who do not grow Garnet. Dr. Geddes reported that the reduction in grade complained of was due to bronzy-green kernels (a rather general characteristic of the 1937 crop) and to a greyish tinge in the resultant flour and bread.

OVERSEAS CRITICISM

There were two main complaints from overseas sources against Canadian wheat and the grading system under which it is marketed. One was the matter of variation in strength within the grades and the other, the need of some more direct and satisfactory method of settling buyers' complaints.

With regard to the first criticism, we were advised by Dr. Geddes (evidence p. 727) that mill chemists—

"expressed the view that Canada should seriously consider ways and means of rendering different shipments of corresponding grades less variable."

It was pointed out, however, that Canadian wheat is grown under a wide range of soil and climatic conditions and that there are difficulties inherent in any grading system designed for the classification and transportation of grain in bulk. It was stated (evidence p. 736-7) that—

"the protein content of individual carlots of Canadian wheat may vary from as low as 8 per cent to over 20 per cent"

but that—

"the bulk system tends to reduce that variability."

Dr. McCalla (evidence p. 5126-8) felt that the relatively high proportion of wheat from northern areas (mostly of the Garnet variety) being exported from Vancouver—

"undoubtedly accounts for the large number of complaints with regard to lack of uniformity of Canadian wheat within grades during the past few years."

He recommended that Garnet be excluded from all the northern grades (evidence p. 5141). He felt that one purpose of the creation of separate grades for Garnet has been defeated by selling Garnet as 3 Northern. (Evidence p. 5144.)

Unfavourable comments regarding Garnet wheat were also made overseas by merchants and millers who appeared before this Commission. It was commonly stated to be the principal cause of complaints when unusual difficulties in milling and baking were encountered.

In England, members of the grain trade, replying to a question regarding their views on the Canadian grading system, said: (Evidence p. 10172.)

"The grading of Canadian wheats has not been regular and satisfactory in recent years. Export Official Standards are received in this country not truly representative of the actual shipments. When compared with samples of deliveries, Standards are sometimes so low that importers receiving inferior wheat have very little chance of compensation. The variety of wheat included in the modern Canadian grades is also a matter of serious complaint, as both the standards and the deliveries lack uniformity."

One prominent miller went further (evidence p. 10173):

"What happens is this, or what has happened is this, and I say it without fear of contradiction, that we have had deliveries of 'No. 1 Northern Manitoba' wheat that were no better than pre-war No. 3's. That is a big thing to say. . . . I think that your grading year by year has got worse and worse. (Mr. ————): I entirely agree."

This general complaint regarding our grading system was not borne out by the evidence of other witnesses, particularly those in Scotland and on the Continent.

Mr. Fernand Stuyck, of G. L. Stuyck and Company, Grain Merchants and Brokers, Antwerp, Belgium, when questioned on our grading system said: (Evidence p. 10177.)

“The Canadian grading system is no doubt the most perfect that we have experienced in the last 25 years. It is very seldom that we have any complaint on the part of buyers. On the whole it gives full satisfaction.”

Regarding the difference between the standards and the actual shipments, it was stated that importers bid for our wheat on the basis of the shipments they have been getting rather than on the standards and that therefore they are disappointed when they receive a shipment below their expectations but still above the standard. In Liverpool we were told: (Evidence p. 10177.)

“Your export standard does not represent your crop. What is the good of it if it does not represent the crop?”

The standard, of course, is by definition a minimum of the grade, not an average. It represents in each case the lower limit of the grade. It was further pointed out in defence of the Canadian grading system that the crops of recent years had been abnormal. A high percentage came from the northern districts and disposition of the carry-overs made annual standards unrepresentative (evidence p. 12756).

My conclusion with regard to this lack of uniformity within the grade is that it has largely resulted from the undue proportion of the Garnet variety in the Northern grades and to abnormal growing conditions in the southern, high protein areas. For example, Mr. Eric Snodgrass, a Glasgow merchant, had this to say:

“I detest Garnet wheat, the one wheat which has done more damage in Scotland to Canada’s reputation is this Garnet wheat. Garnet wheat is useless from the point of view of the long process, and all our interest in buying Canadian wheat is to try and avoid getting any Garnet” (evidence p. 10442).

Mr. COYNE: It has been suggested that you (we) should exclude Garnet from Nos. 3 and 4 and set up additional Garnet grades?

A. That would suit me because my difficulty is to spot the kind of Canadian wheat I can buy which does not have Garnet in it. I never buy No. 3 or No. 4 from Vancouver, because I know that contains a larger proportion of Garnet than the Atlantic ones do.” (Evidence p. 10443.)

Since this evidence was taken, segregation of Garnet from the Northern grades has been enacted by an amendment to the Canada Grain Act passed

at the present session of Parliament. If this legislative change, and the return of normal growing conditions, do not increase the uniformity of Canadian wheat within the grades, new consideration should be given to alternative methods now under study, involving minimum protein contents for each export grade.

Secondly, it was felt by some Old Country millers that the buyer's recourse in case of an unsatisfactory parcel or cargo was at present too indirect and unsatisfactory. The present method is by correspondence forwarded through the Canadian Government Trade Commissioner in London to the Board of Grain Commissioners for Canada. With competing wheats sold on a f.a.q. basis there are arbitration committees that handle such complaints on the spot. Members of the Glasgow Corn Trade Association advised me that there was less difficulty with South African grain, for which certificates final are also used. Mr. McDonald, one of their representatives said: (Evidence p. 10386.)

"One thing about the South African Government, they are always very ready to meet claims if the quality is not in accordance with what it should be, and we have not found the same with the Canadian Government in one or two cases."

We were favoured by the Liverpool Corn Trade Association with samples of Nos. 1, 2 and 3 Northern from specified cargoes. These were submitted to the Board of Grain Commissioners and while variation was apparent, all were attested by the Chief Inspector to be above the standards of the grade.

Without a doubt, there seems to be a pronounced difference of opinion overseas regarding our grading system. A closer contact of the Board of Grain Commissioners with the buyers is advisable.

PROTEIN SELECTION

There is no doubt that selection is a legal practice (evidence p. 12229) and, in the opinion of the Chief Commissioner of the Board of Grain Commissioners (evidence p. 12767), it is not deemed to be of major importance. This conclusion was arrived at after a comprehensive protein analysis of shipments through the various ports. Dr. Geddes concluded (evidence p. 12876) that selection by Western Canadian mills west of Winnipeg would not be noticed in the quality of overseas shipments. With the exception of New No. 2 Northern in 1935-36—

"the data indicate that the wheat consumption of Eastern Canadian mills has a negligible effect upon the average strength of the wheat available for export abroad." (Dr. Geddes, evidence p. 12887.)

With regard to United States mills, however, the situation is different and there was definite evidence that United States mills had selected high protein wheat in Grades Nos. 1 Hard to 3 Northern (evidence p. 12888) and that over the period 1933-37, the United States shipments from Fort

William-Port Arthur were 0.15 percentage points higher in protein content than the Canadian shipments from the same ports. (Evidence p. 12895.)

Dr. Geddes believed that even this definite evidence of selection was "insignificant statistically, comparing Fort William and Montreal" (evidence p. 12895). He proceeded to say (evidence pp. 12902-3):

"There is a definite high protein requirement for certain interests in the United States. We have made a study of certain markets, for example, certain flour markets, and the protein content of the flour has to be, we find, from 14 to 14.2 per cent, which means that that flour is milled from wheat running about at least 15 per cent protein, and these shipments are made from Buffalo, and it is known that Canadian wheat is bought for that purpose, to make that special flour for certain markets.

Mr. MILLIKEN: Domestic or export?

WITNESS: It is export.

Mr. COYNE: They would not buy Canadian wheat at all if they were not getting an especially high protein wheat?

WITNESS: Well, I suppose to a certain extent, yes.

Q. Well, if you say they are buying Canadian wheat because they need it for a special purpose—

A. It is a special market, and they come up here to get it.

Q. If they could not get a wheat that satisfied their special purposes there would be no point in their buying Canadian wheat?

A. I think that is true, yes.

Q. And we would lose this market, which from the point of view of Canada itself is an export market.

A. I think so, yes. These are market questions."

Because of drought in the high protein areas of the Canadian West and the deficiency of high protein wheat in the United States, the effect of wheat selection in these years (1933-37) would be expected to be greater than the long term average (evidence p. 12915).

PROTEIN SELECTION AND PREMIUMS

The question of distributing premiums for high-protein wheat is a troublesome one under the bulk-handling system. Only a very limited overseas demand for shipments of a special protein content has developed, some orders of French origin being mentioned in evidence. The main demand comes from North American mills and these orders are particularly keen in years when the United States crops of hard red spring or hard red winter are short. It is from such demand that protein selection and car diversion have begun. With these practices, there has developed the need for acquainting farmers with the value of their wheat. It is by no means certain that the enhanced prices or premiums of such wheat are carried back to them. This is particularly true of farmers selling in less than carload lots on the basis of street prices.

The same lack of knowledge on the part of farmers was evident in the United States prior to about 1923 and described in U.S.D.A. Misc. Publ. 140 (Ex. No. 655). Protein tests should be made available to producers who wish to have such tests made and producers should be made better acquainted by publicity under Board regulation with the values of their wheat in years when protein premiums are being paid. Early-season protein premiums often do not adequately reflect the higher value of high protein wheat. The problems of the country elevator in buying wheat on a protein basis must also be considered. On the whole, this is a question requiring careful consideration before any decisive action is taken. I believe that the Board of Grain Commissioners might well investigate the advisability of increased publicity at country points regarding any premiums that are not expressed in the commonly-quoted cash price of wheat. If periodic notice could be given at country points of the extent of protein premiums being paid at Fort William, then the farmer will not be at a disadvantage from lack of knowledge, at least.

CONCLUSIONS RE SELECTION

The evidence given before me by those whom we consulted overseas does not indicate any bad effect of selection on the wheat marketed there. Dr. Geddes, however, has reported to us (evidence p. 728) that several overseas millers and mill chemists whom he consulted—

“thought the average quality of export shipments was greatly lowered as a result of selection by Canadian and American Mills.”

The persistent drought of recent years has helped to maintain a high protein level and has probably decreased the unfavourable effect of protein selection, to some extent. We had evidence that some mills had to select wheat of low protein content to keep their flours from becoming too strong. Through protein testing of shipments from the various ports, the Board of Grain Commissioners has the situation under constant review, and I believe the whole matter should be carefully watched.

The selection of wheat for its protein content and diversion of cars for special-binning with the object of keeping such wheat separate have apparently been an outgrowth of exceptional conditions which may or may not occur again. Under normal supply conditions in both Canada and the United States, I feel that these practices would be of minor extent. There will, I believe, be some selection each year and some efforts towards publicizing the extent of protein premiums, if any, should be made. Provided that such premiums are carefully carried back to the producer and further that the practice of selection does not become extensive, I see no reason for suggesting a change in the present official attitude toward selection.

MIXING

The producer is naturally very concerned that the top grades of Canadian wheat be binned with grain of the same grade, as now required by law, and that the official grade, whether judged by domestic or export standards, should be respected throughout the movement of the wheat to overseas markets. The Canada Grain Act, Section 125, prohibits mixing of wheat graded No. 1 Hard and Nos. 1, 2 and 3 Northern. This section resulted from a full discussion of the question in Committee during the 1929 session of the House of Commons. This non-mixing provision, linked with the establishment of high export standards, is regarded as an effective deterrent to mixing, but is strengthened by other regulations and safeguards of the Board of Grain Commissioners. These are the official inspection and the weighing in and out of terminal elevators and the registration of warehouse receipts. A terminal would be unable to obtain a clearance for grain in excess of existing warehouse receipts, even if it were technically possible to promote lower grades into a higher grade and still meet the export standards of a higher grade. The annual audit also provides that overages in excess of one-quarter of one per cent shall go to the Crown. This, in itself, would be a severe penalty, but in addition very severe penalties are provided by Section 125 Subsection (5) of the Act.

Generally, on the question of mixing, I am disposed to agree with Mr. Ramsay's statement: (Evidence p. 12286.)

"I would however make the statement that Parliament's desire to suppress mixing in the grades under review has been very substantially carried out."

In Appendix No. VIII, I have included a table prepared by the Board of Grain Commissioners (Ex. No. 614) to show the extent of overages and shortages in handling the different grades of wheat at the terminal elevators of Fort William-Port Arthur, August 1, 1933, to July 31, 1937. In the non-mixing grades, the overages are shown to be far below the legal allowance of $\frac{1}{2}$ of one per cent. In the grades below No. 3 Northern, wherein mixing is permissible, there are notable differences between receipts and shipments within the grades.

While I have expressed a general agreement with the present regulations on mixing, I regard it as a field in which constant vigilance is necessary. No suspicions should be left outstanding regarding such an important phase of the Board's work. The Board should not hesitate to make special audits or weigh-overs in an effort to satisfy themselves and others that confidence in the present regulations is warranted. I fully realize the technical impossibility of complete supervision of binning and loading within the terminals, but I feel that some measure of watchfulness might be necessary as an additional safeguard.

CHAPTER IX

DECREASE IN EXPORTS

The Order in Council directs me to inquire in the next place into "the causes of the decrease in Canadian grain exports in recent years." The considerations involved in this subject are three-fold. A pronounced decrease has assuredly taken place. Its causes can be found only by a study of conditions (1) in importing countries; (2) in other exporting countries, and (3) in Canada.

THE MARKET FOR WHEAT

The wheat importing countries constitute our market. Beginning with them, the case will be clarified by a perusal of the following table which is abridged from Table IV in Ex. 465 submitted by Mr. Andrew Cairns:

WORLD NET IMPORTS OF WHEAT AND WHEAT FLOUR

Average of 5 years	United Kingdom and Irish Free State	Continental Europe	Ex-Europe	Totals
	(Millions of Bushels)			
1909-14.....	217.7	326.7	98.0	643.2
1922-27.....	224.4	373.1	128.5	740.2
1927-32.....	236.3	373.9	159.4	780.7
1932-37.....	225.8	170.8	126.8	543.6

The net shrinkage in the world market is apparent from these figures and it is clearly seen that the Continental importers account for the changed situation. United Kingdom imports have remained fairly constant through the years, while in countries outside Europe, reduced imports in Japan, Egypt, South Africa and New Zealand have been offset by increases in South America, China and certain parts of Asia.

It will be seen that average yearly Continental imports of the past five years (1932-37) are 203.1 million bushels below those of 1927-32 and 155.9 million bushels below the pre-war average, 1909-14. This is the real change in the world situation. Bringing this down to specific countries, France, Germany and Italy account for most of the change. These three countries had estimated net average annual imports of 164.3 million bushels in 1909-14, 200.6 millions in 1922-27, 171.0 millions in 1927-32 and only 35.0 millions in 1932-37. Most of the smaller countries also show reductions, notably Poland, Austria, Czechoslovakia, Sweden and Portugal.

On the other hand, the total consumption of wheat in European countries has increased, this increase being provided from domestic production.

Mr. Broomhall's estimate of world importers' requirements for 1937-38 is 500 million bushels. Shipments to date have substantiated this figure. He estimates that Europe including the United Kingdom, will import 409 million bushels. Over one-half of this amount, or 212 million bushels, will go into the United Kingdom and of the remaining 197 million bushels, 74 millions will be imported by countries like Belgium, the Netherlands, Spain and Finland, where there is more or less freedom of import by traders, under regulation. In Spain, a high proportion of the imports, approximating 10 million bushels, are for Government account. Spain has recently been self-sufficient and the imports result from unusual conditions.

France is expected to import 8 million bushels. While the Wheat Office is in practically complete control of the industry, millers having import permits arrange their own purchases.

The remaining 115 million bushels will be imported by countries (Italy, Germany, Greece, Switzerland, Portugal and Czechoslovakia) where the buying is done either by Governments or State Monopolies direct or by agents for these organizations. Austria is included in this group in the light of recent events.

Non-European imports are expected to reach about 91 million bushels, of which Brazil will take about one-half, the West Indies about 10 million bushels, Oriental countries about 10 million bushels and the remainder rather widely scattered.

CAUSES OF CHANGE IN EUROPEAN WHEAT SITUATION

While agricultural protectionism was a policy of several European countries for many years in the 19th Century, there was really no decided tendency toward exclusion until 1925, when Italy and Germany increased their duties on imported wheat. In 1927, France practically doubled her wheat import duty through two increases. In 1929, all three countries made further tariff increases. Really severe tariffs became evident in 1930, the Italian figure reaching \$1.07 per bushel, the German \$1.62 per bushel and the French, 85 cents per bushel on imported wheat. As foreign wheat prices fell and domestic wheat production increased, these severe tariffs were supplemented by milling quotas, fixing the amounts of domestic wheat to be used. The movement spread to the smaller importing countries. Quantitative restrictions were again strengthened when the currency fluctuations of 1931 partially vitiated the effectiveness of tariffs. The benefits to exporting countries of inflated currency were thereby offset to some extent. While the main reason for these new devices was probably to ensure a prosperous and contented farm population through the medium of higher prices for a larger wheat production, there were other considerations in mind. One was to reduce imports and protect domestic currencies and another the fear of war and the inadvisability of dependence on foreign

supplies of food. Even the most casual study of factors such as wheat acreage, production and imports must impress one with the evident success of these efforts of European importers.

This whole situation, and particularly the change between pre-war and post-war conditions, is well described in the following three paragraphs quoted from "Wheat Requirements In Europe," Technical Bulletin No. 535, September, 1936, United States Department of Agriculture, by J. H. Shollenberger (Ex. No. 679):

"In the thickly populated countries of western Europe the domestic wheats are not only notoriously inferior in baking quality but the cost of producing them is relatively high. Prior to the World War, while European manufacturers still reigned supreme in the markets of the world, these countries had little objection to the importation of foreign wheats which were not only better in quality than the home-grown product but could be obtained at prices below the cost at which the latter could be produced. In those days, foreign trade balances gave western European countries little cause for worry. Their exports of industrial products and services supplied them with enough foreign exchange to pay for their imports (including wheat which overseas countries could sell cheaper than the European countries could produce it) and to invest abroad.

"The war brought about a marked change. The enormous quantities of materials required in Europe for conducting the war, together with the goods required for ordinary living purposes, not only taxed the productive energies of European countries to their full capacity but also provided a market for great quantities of goods from overseas countries. This unusual market situation in Europe greatly stimulated both industrial and agricultural production in other parts of the world, with the result that the close of the war found a greatly restricted market for European industrial products and plenty of foreign competition for what markets remained. Furthermore, the great cost of the war resulted in budgetary difficulties in the European countries involved. Their money was inflated. Domestic capital fled. Hence, their demand for foreign exchange was great, while the supply was small.

"With their foreign markets for industrial products either lost or greatly reduced and with their financial condition virtually one of bankruptcy, they found it imperative to give intensive consideration to the domestic-market situation with the idea, on the one hand, of reducing to a minimum their expenditures abroad and, on the other, of increasing employment at home. This resulted in the adoption of a self-sufficiency policy of production in whatever commodities the individual countries were capable of producing. With the adoption of this policy, the domestic-wheat producer was given governmental assistance in some form and protection from foreign competition. Under this policy wheat production has not

only reached the pre-war level but, in many of the European countries, has expanded considerably beyond that level."

THE PRESENT SITUATION IN EUROPE

There are 19 European countries which were on a net import basis prior to this exercise of quantitative controls, viz., France, Germany, Italy, Belgium, Denmark, the Netherlands, Austria, Czechoslovakia, Switzerland, Norway, Sweden, Latvia, Estonia, Finland, Greece, Portugal, Spain, the United Kingdom and the Irish Free State.

There are six European countries that were formerly self-sufficing with regard to wheat or net exporting, viz., Poland, Lithuania, Bulgaria, Hungary, Roumania and Yugoslavia.

Considering first the 19 net importing countries, each one of these has taken some action with regard to wheat since the 1929-30 fall in wheat prices; in most cases, their actions have tended toward virtual exclusion of foreign wheat. Twelve of these nineteen countries have either government monopolies or monopoly power invested in a state-supported company. The remaining seven countries have various forms of government control over imports; these being of a minor nature in the United Kingdom, Belgium, Denmark, the Netherlands and Finland and more extreme in Austria and Spain.

The six self-sufficing or net-exporting countries of Europe have government monopolies or state-supported companies in practically complete control.

The following short sketches describe the essential features of control in each country.

A. *Twelve European Importing Countries Under Government Monopoly.*

1. *France*—agricultural protection dating back to 1885; Government "Wheat Office," permanent body to control entire wheat industry, fixes prices of wheat and flour, controls import and export trade and milling, plans to control production; no open market; these measures have increased production and lowered imports.

2. *Germany*—net exporting country in middle of 19th Century; agricultural protection dating from 1879, not operative 1914-25; cessation foreign loans 1929 made balance of trade necessary; free market replaced by complete State control (Reich Bureau for Cereals), finally effected in 1934; high fixed prices, prohibitive tariffs, import licences, trade and milling quotas, baking regulations; imports made under licence are usually exempt from tariff, but importers required to pay monopoly tax to Bureau equal to difference between purchase price and fixed domestic price; rigid control of foreign exchange; great increase in production of wheat.

3. *Italy*—protection since 1887; Battle of Wheat, 1925, designed to increase production; complete government control of storage, internal and external trade; high fixed prices; aims at complete agricultural autarchy;

Government now purchase through agents; foreign exchange control through Bank of Italy; large increase in production.

4. *Czechoslovakia*—protection began 1925; marketing monopoly organized in 1934 called "Monopoly Grain Company," composed of producer and trade interests; fixed prices of wheat (to producer and consumer), flour and bread; subsidized exports; moderate tariff; plans to reduce wheat production to assist trade policy and maintain domestic prices.

5. *Switzerland*—agriculture long protected; State grain monopoly since 1915; State Grain Office established 1929 replacing direct governmental monopoly of buying and selling grain that was created in 1915; fixed prices, grinding subsidies, grain reserves, import quotas and permits, moderate tariffs.

6. *Norway*—government monopoly since 1917; State Grain Office established 1926; Grain Monopoly Law, 1928, established a state monopoly under name of "Statens Kornforretning"; fixed prices, no tariff, licensed importers; Monopoly buys direct on basis of offers, both f.o.b. and c.i.f.

7. *Sweden*—Swedish Grain Company, joint stock company, in which Government principal shareholder; fixed prices, milling quotas (90 per cent domestic at present); tariffs low and unchanged since 1911; export certificates; safety reserve of wheat; wheat production increased to practically balance consumption.

8. *Latvia*—milling quotas and fixed prices since 1930; complete government control began 1932, with fixed prices of wheat and flour, milling quotas and general supervision; since 1934 Ministry of Agriculture has licensed dealers.

9. *Estonia*—Government monopoly since 1930; fixed prices; prohibitive duty on flour; some recent slackening of control over mills; import licences.

10. *Greece*—Government Central Concentration Committee buys all domestic wheat at fixed prices; very high tariffs, import permits and quotas, milling quotas; also indirect aid to producers; reduced imports now come principally from Danubian countries.

11. *Portugal*—Rigid governmental control of imports for many years; fixed prices; variable price, equalizing duties; regulated production; exchange control; open market transactions in wheat prohibited; wheat imported and purchased from farmers by National Federation of Wheat Farmers, a compulsory co-operative; imports of wheat flour into continental Portugal prohibited.

12. *Irish Free State (Eire)*—Complete government control; fixed prices, import licences and restrictions, milling quotas (now 29 per cent domestic), registration of growers, trade and millers.

B. *Seven European Importing Countries With Various Forms of Governmental Regulations.*

1. *United Kingdom*—The Wheat Act of 1932; standard price prescribed for home-grown, millable wheat of stated quantity; levy on all imported and home-milled flour, with export rebates; Wheat Commission administers Act, working with Flour Millers' Corporation; duty of 2 shillings per quarter (480 lb.) on non-Empire wheat and 10 per cent ad valorem on non-Empire flour under Ottawa Agreement of August, 1932; policies have increased British wheat acreage and production.

2. *Belgium*—No import tariff on wheat but had import licence from 1930 to February, 1937, which, with turnover tax, was effective; milling quotas to assure use all domestic wheat 1932 and 1933; millers' agreement since; policies aimed to balance agriculture and industry; little change in imports.

3. *Denmark*—uses exchange control, import licences and duties; only import licences now; no milling quotas, subsidies nor fixed prices; wheat prices maintained by restrictions on imports.

4. *The Netherlands*—like Belgium and Denmark, policies based on foreign trade; import control became necessary in 1930-31; Wheat Act of 1931 set milling quota for domestic wheat; excise and import taxes raise prices; almost complete government control started with Agricultural Crisis Law of 1933; Central Wheat organization set up; discouraging live stock in favour of wheat; agriculture, divided into groups, is planned and under elaborate governmental machinery; only moderate reduction in imports due to these measures.

5. *Austria*—has sought to reduce extent of net importing position by means of tariffs, import quotas and licences, trade and clearing agreements and currency restrictions; 1924—grain tariffs adjusted to domestic prices and several upward revisions since; flexible prices.

6. *Finland*—net importing; raised tariffs at onset of depression were very effective in increasing wheat production; Government measures mostly indirect.

7. *Spain*—previously a net importing country but recently self-sufficient; controlled imports for many years; since 1930, imports prohibited except under Government licence; maximum and minimum prices in force since 1929; exchange control previous to hostilities.

C. *Six Self-Sufficing or Net Exporting Countries of Europe With State Monopolies or State-Supported Companies in Complete Control.*

1. *Poland*—Protectionist since the War; has developed wheat production and exports since the depression; export bounty, 1931; more complete methods of control began in 1933; has strived to lower production costs

and farm indebtedness; State Agricultural and Industrial Establishments, 1932, stabilized wheat prices.

2. *Lithuania*—Usually self-sufficient, tariffs effective only when there is a shortage; fixed prices since 1929; Central Society of Agricultural Co-operatives purchases for the Government; 1930-31 to 1934-35 Government subsidies to maintain minimum price.

3. *Bulgaria*—Net exporter; 1931, Government bought wheat in competition with dealers thus forcing up price; 1932, Government monopoly buying at high fixed price; 1933, Government stabilization purchases; 1934, Government monopoly restored; 1936, fixed price system abolished; now exclusive rights purchase and sale of all cereals vested in permanent Government monopoly, fixing prices grain, flour and bread and controlling milling industry.

4. *Hungary*—Wheat is the chief export product; 1934 agreement with Italy to take much of surplus at fixed prices; Futura Company (Hungarian Co-operative Societies' Trading Company Limited) makes purchases whenever market price falls below fixed minimum, also allocates export quotas; has other measures of farm relief; exchange control; has had a protective tariff on wheat since beginning of century.

5. *Roumania*—Net exporter; export bounties; Central Marketing Co-operative now makes stabilizing purchases at prices fixed by Government; also indirect methods of assisting farmers; exchange control.

6. *Yugoslavia*—net exporter; Privileged Export Company established 1930 to maintain prices of domestic wheat above export level; complete monopoly, 1931; return to Privileged Export Company, 1932; exports now free except to Czechoslovakia; also has exchange control and clearing agreements and co-operates with Roumania and Bulgaria to avoid undue competition for export markets.

The extent of modification of the economic laws of international trade is plainly evident in the above description. Immediate self-interest and fear are the dominant factors and the force of external economic argument is limited. Present considerations in dealing with the depression problems and adverse trade balances are uppermost. Emergency measures supersede permanent policies in a period of rapid change; unfortunately for Canada, the most restrictive of these emergency measures seem to become integrated into the economic policies of the countries. Since their end product is an increased domestic price, any advantage that might spring from increased demand with lower external wheat prices is precluded. So the "law" of supply and demand as well as the principles governing international trade are offended.

EX-EUROPEAN IMPORTING COUNTRIES

While there are many countries outside Europe that import small quantities of wheat, the major importing countries are Brazil, Japan and

China. The others are situated in South Central America, in Asia and Africa and information regarding their governmental actions is not available.

Brazil—is attempting to increase wheat production by means of a broad governmental program of assistance to wheat areas, including milling quotas, bonuses on production, freight rate reductions, sale of farm machinery at cost, tax on milling imported wheat, etc. It is now obligatory for Brazilian millers to use 30 per cent of national products in the making of bread flour mixtures. Selected seed of suitable varieties is distributed in State of Rio Grande del Sud. As yet, the adopted measures have had no noticeable effect in reducing imports. A high proportion of the wheat imports comes from Argentina.

Japan—systematic governmental encouragement through gold embargo and tariff; in 1935, became self-sufficient after three years' effort and by increasing wheat production 60 per cent at the expense of barley; weather and new varieties also helped; future wheat imports (according to Food Research Institute, Wheat Studies, Vol. XII, No. 3, November, 1935) will be modest and mostly for re-export as flour to Manchukuo, Kwantung, etc. Australia is the main source of supply.

China—also working toward self-sufficiency under government direction; low wheat import duty, December, 1933; Bureau created in October, 1935, to study improvement of wheat and rice production in China. Imports are extremely variable.

Information is also available regarding New Zealand and South Africa. In New Zealand, the Government is encouraging domestic production of wheat. A Wheat Committee is striving to increase wheat acreage to provide, as far as possible, for the whole of New Zealand's requirements. In South Africa, wheat imports have been reduced greatly in recent years by governmental encouragement of domestic production.

EXPORTABLE SUPPLIES OF WHEAT

It is also important to consider the countries that provide the exportable supplies. The following table is illuminating:—

WORLD NET EXPORTS OF WHEAT AND WHEAT FLOUR

Average of five years	Four overseas exporters	Seven European exporters (including U.S.S.R.)	Nine ex-European exporters	World totals
	(Millions of Bushels)			
1909-14.....	345.3	273.0	57.4	686.2
1922-27.....	689.8	43.5	29.5	776.2
1927-32.....	692.9	86.1	14.7	802.2
1932-37.....	468.5	58.1	27.3	574.8
1936-37.....	457.2	98.5	36.3	622.0

Source.—The International Wheat Situation. Wheat Advisory Committee, London.

The 1937-38 world figure is currently estimated to be about 100 million bushels below that of 1936-37 and rivalling the 1935-36 figure of 515.6 millions as the lowest in modern records.

In studying the change in net imports, we have seen that the bulk of the reduction is accounted for in the imports of European countries, particularly France, Germany and Italy. In net exports the reduction has been noted largely in the exports of the major exporting countries, particularly Argentina, Canada and the United States. Exports from Australia have shown little contraction. North African dependencies have increased their exports. The others have been erratic.

The four major exporting countries had 50.3 per cent of total world trade in 1909-14, 88.9 per cent in 1922-27, 86.4 per cent in 1927-32 and 81.4 per cent in 1932-37. Before the War when Russia was prominent, European exporters had 40.5 per cent of the total world trade; in 1932-37, this had declined to 10.1 per cent. Similarly the share of other ex-European exporters has declined from 8.4 per cent in 1909-14 to 4.7 per cent in 1932-37. India is mainly responsible for this change.

The necessarily sharp reduction in exports came as the depression deepened in continental Europe and these countries took various measures to protect their farmers from the impact of low wheat prices. The big declines in exports came between 1928-29 and 1929-30 and between 1931-32 and 1933-34.

It is important to us to consider what has been done in the competing export countries to assist the farmer during this period of adjustment.

ARGENTINA

Argentina has protected her wheat producers from the full effects of the depression by foreign exchange regulations and the creation of a Grain Regulating Board, using fixed minimum prices. In addition, a new Grain Act was passed in September, 1935, which established a new grading and inspection service. An expansion of the country and terminal elevators is also planned by the Government; the work on the first terminal at Buenos Aires actually started on February 11, 1938. Thirteen other terminals and 321 new country elevators are planned but no definite steps taken toward their erection. A Government Commission to control the distribution of seed grain is also in operation.

Exchange control has been in effect in Argentina since 1931. Like Canada, Argentina is a debtor nation, mostly as a result of borrowings for development purposes. Unlike Canada, Argentina has little industrial development and depends on agriculture for 95 per cent of her exports. When the depression began, it was necessary to limit and redirect imports by means of a preferential rate on sales of foreign exchange. Exchange is sold at a lower rate for imports from all countries up to the amount of the respective country's purchases from Argentina, with due allowance for interest payments on the Argentine Government external debt but with

the "world price" of wheat remained above the Argentine fixed minimum price in 1934-35, no purchases were made by the Board.

The minimum price of wheat was increased from 5.75 to 10.00 paper pesos per quintal on December 12, 1935. This change was made in view of the short Argentine crop and the improvement in the world wheat situation. On the Buenos Aires market, wheat that had been selling well below the level of the new minimum price promptly rose above it and has remained above it since, so that the Government has not purchased any more wheat.

In September, 1935, the Argentine Government passed a new Grain Act, embodying an official grading system and containing provisions for the control of the distribution of seed. The wheat will be divided into Hard, Semi-Hard and Soft classes and there will be subdivisions I, II and III. The varieties admissible to each grade are specified. These measures, along with controlled distribution of seed, are designed to improve the quality of export wheat.

The capacity of port elevators in Argentina is about 19,344,000 bushels and the Government plans to add capacity for about 21,907,000 bushels by building new terminals, within the next four years. Country elevators to the number of 321 are also planned with a capacity of about 42 million bushels. No definite steps towards this construction have been announced but the first terminal at Buenos Aires was started in February, 1938. A national system of grain elevators is planned and then bulk handling will replace bagging and grade certificates will at least supplement the f.a.q. system.

AUSTRALIA

Australian wheat farmers have secured assistance since the early part of the depression. The first measures taken in 1929-30 were towards debt adjustment and reduction of interest and rent charges. Wheat bounties by the Commonwealth Government were begun in 1931-32 and continued up to 1934-35; New South Wales also supplemented the Commonwealth grants with a sum of £300,000 in 1931. The currency depreciation early in 1930 is said to have assisted the exporters, but the main depreciation did not take place until 1931. As in Argentina, the rate has been very steady since February, 1934. A Royal Commission of Enquiry, with a broad remit, was appointed in January, 1934.

The following are the bounty and relief payments for wheat-growers listed in the Australian Year Book, 1936, pp. 700-02:

Bounty, 1931-32.. . . .	£ 3,429,314
Bounty, 1934-35.. . . .	1,462,414
Relief, 1932-33.. . . .	2,000,000
Relief, 1933-34.. . . .	3,053,000
Relief, (Special)	573,250
Relief, 1934-35.. . . .	2,004,944
Relief, 1935-36.. . . .	1,878,906
	<hr/>
	£14,401,828

The distribution was made to the States on a production basis, with the State deciding how it would be distributed. In addition to bounties and relief, the wheat growers have also benefited under the Loan (Farmers' Debt Adjustment) Act of 1935 which allotted £12 million to the States for adjustment of farmers' debts. Only £10 million has been allocated to date. This is mainly used by wheat farmers (evidence of Mr. Harper, p. 10017).

Unsecured creditors lose about two-thirds of the debt; the Commonwealth pays about one-third on the average.

The rate of bounty was 4½ pence per bushel in 1931-32. In 1932-33 and 1933-34, the payments were made through the Governments of the States on an acreage basis. In 1934-35, the bounty was three pence per bushel, plus a further relief payment of three shillings per acre. Evidently, only the relief payment was made in 1935-36. No bounty or relief distribution was made in 1936-37 and 1937-38, prices having advanced materially.

To pay the bounty and relief a flour tax was used, first in New South Wales, then in the Commonwealth.

The Australians who appeared before me in London regarded the abandonment of the gold standard early in the depression as having operated to the benefit of the exporting producers more than anything else. (See Appendix VII).

The State also helps the farmers by low freight rates on fertilizers and farm products, and in Western Australia no wharfage charge is made on any primary product exported.

THE UNITED STATES

Of all the exporting countries, the United States has shown the closest approximation to methods used in importing countries to aid wheat farmers in depression. These endeavours have been favoured by drought that reduced supplies to a domestic basis on several occasions.

Among the more important methods of assisting the wheat farmer were protective tariffs, direct market support by Grain Stabilization Corporation beginning early in 1930 and continuing until completion in May, 1933, surplus-relief market operations in October, 1933, currency depreciation, Governmental credit to encourage purchase of United States wheat by other countries, export subsidy, 1934, Agricultural Adjustment Act of 1933 involving benefit payments for acreage reductions and a processing tax, and the Ever Normal Granary plan.

The earlier plans of the Government were directed toward improved functioning of the existing marketing machinery, e.g., by open market purchases and aids to export. Since 1933, the problem has been approached from another angle and an effort made to regulate supplies by means of bonuses for co-operation in acreage adjustment.

The United States tariff on Canadian wheat is 42 cents a bushel (established April 6, 1924), except for feed wheat in which case it is 10 per cent ad valorem. There are, of course, duty-free privileges in bond for re-export. The tariff is effective in raising domestic prices in short crop years, especially for hard red spring wheat.

The Agricultural Marketing Act was passed in 1929 and the Federal Farm Board, with a revolving fund of \$500,000,000, came into existence in July, 1929. As prices weakened, the Federal Farm Board made fixed loans to wheat co-operatives in late October, 1929. The Farmers National Grain Corporation made small market purchases in January, 1930, but extensive buying really began with the establishment of the Grain Stabilization Corporation on February 11, 1930. At June 30, 1930, its holdings were 65 million bushels (Ex. 127). Buying steadily and virtually pegging United States wheat prices from November 15 on, the Corporation held 257 million bushels out of a total United States carry-over of 340 millions on July 1, 1931. Liquidation began in 1931-32 through sales on the market, relief distribution and sales to Brazil, Germany and China. In May, 1933, the process was completed at a net loss of \$184,000,000 (Ex. 44).

In October, 1933, there were "surplus-relief operations" to the extent of 16 or 17 million bushels involving wheat purchases on the market and distribution for relief.

Under the National Recovery Act, codes were established for the Grain Exchanges on March 31, 1934, the country elevators in May, 1934, and the terminal grain elevators in December, 1934. The Grain Exchange Code barred trading in indemnities, established margin requirements to check excessive speculation, and placed limits on daily fluctuations. The elevator codes were designed mainly to check unfair competition.

The United States currency was depreciated at a later date than the other wheat exporting countries. It was not until April, 1933, that the exchange rate was allowed to decline from post-war gold parity. In February, 1934, the United States dollar in foreign exchange reached a level of 59 per cent of post-war gold parity and it has been maintained at this rate ever since. (See Appendix VII.)

An export subsidy of 6.1 million dollars are paid for wheat mostly grown on the Pacific Coast in 1933-34. Some 21.85 million bushels of wheat and 6.54 million bushels as flour were sold, mostly to the Orient. Loans were made to the Chinese Government to enable purchase. The necessary subsidy amounted to about 23 cents a bushel and, it is claimed, prevented movement of the surplus eastward to depress markets there.

The Agricultural Adjustment Act, 1933, involved benefit payments to wheat growers who contracted to reduce their seeded wheat acreage. These benefit payments were to be secured by a processing tax on wheat consumed in the United States. This was fixed at 30 cents per bushel on June 26, 1933, and the first benefit payment was set at 20 cents on July 24. It is reported that total payments as "benefits" under this

Act, 1933-35, amounted to \$331,196,117.03 (Ex. 44). Dr. J. S. Davis in "Wheat and the A.A.A." (Ex. 402) concludes:

"The A.A.A. can justly claim that it enhanced wheat growers' incomes by something like 120 million dollars in 1933-34 and perhaps 100 million in 1934-35."

The legal basis of payments to contract signers was upset by the United States Supreme Court. A new Act

"providing an adequate and balanced flow of the major agricultural commodities in interstate and foreign commerce, and for other purposes "

has recently been passed. It aims to maintain prices for the wheat grower, among others, with purchasing power as great as in 1909-14. Further, it establishes an ever-normal granary plan in the interests of both consumers and producers and seeks to prevent wasteful use of soil fertility. Adjustment payments will be continued under new conditions.

OTHER EXPORTING COUNTRIES

The methods employed by the Balkan countries that have net exportable surpluses have been previously described. Only two others are worthy of particular mention, at present—Russia and India. In Russia, state regulation, in varying degree, has been in force since 1917.

"All grain collecting activities are now controlled, regulated and directed by the People's Commissariat of Commerce (previously the Commissariat of Interior Commerce), which also manages the elevator system and the milling industry and controls the grain-exporting organization, the *Exportkhleb*." (Wheat Studies, "Russia as a Producer and Exporter of Wheat," Vol. VIII, Nos. 5 and 6, March and April, 1932).

We were advised overseas that their wheat is sold on a sample basis, f.a.q. and that there is quite a variation between samples, the best being only second to Canadian in quality. In the United Kingdom, all Russian wheat is handled by one firm.

After favourable growing seasons, Indian wheat is exported in appreciable volume. The domestic and export trade is in private hands. Two principal varieties, Red and White Karachi, are sold on an f.a.q. basis, in bags, principally in the United Kingdom. We secured no evidence on government efforts to assist the wheat-grower in India.

CANADA

Farmers in Western Canada have been given governmental aid to assist them in meeting the problems of drought and low grain prices. Guarantees of the Dominion Government to the banks enabled the carrying-

on of stabilization price measures that have been previously described. Since the Unemployment Relief Act, 1930, the Dominion Government has made large contributions as grants or loans to the provinces to enable them to cope with extraordinary conditions. In 1931-32, a bonus of five cents per bushel was paid by the Dominion Government on wheat grown in 1931 and delivered up to July 31, 1932. Debt adjustment legislation was provided to enable consideration and revision of farmers' debts. The Prairie Farm Rehabilitation Act has given direct attention to the problems of the worst drought area. These measures are, of course, in addition to the continuing importance of experimental and research work that is striving to improve the farmers' position in production.

Five Cent Bonus

A bonus of five cents per bushel was paid on wheat grown in Alberta, Saskatchewan and Manitoba in the year 1931 and delivered up to July 31, 1932. The distribution was handled by the Board of Grain Commissioners and amounted to \$12,719,900.73, of which approximately \$1,169,000 went to Manitoba farmers, \$5,669,000 to Saskatchewan, \$5,858,000 to Alberta and a small amount to farmers in the Peace River district of British Columbia.

Farm Relief

The primary responsibility for relief of agricultural distress is presumed to rest with the rural municipality or local improvement district. Where the need is too great, the provincial government is called upon. Likewise, under extraordinary conditions, the Dominion Government may assist the provinces. This understanding, I believe, dates from December, 1921 when assistance to the provinces was first granted.

Under such conditions it will be seen to be practically impossible to state with any great degree of accuracy the amounts expended by the different authorities for the relief of western farmers as a result of drought, low prices and other causes. Little information is available for the municipalities and only sketchy data for the provinces. The lack of data for the municipalities is not very bothersome because the need soon became so extreme as to place main reliance on Provincial and Dominion Government funds.

Government officials of the three provinces appeared before this Commission to describe their methods of making advances to the municipalities, particularly for seed and feed relief. The province of Alberta between April 1, 1930, and October, 1937, made net payments for agricultural relief of \$3,904,861.02 (Ex. 301 and evidence p. 5256). With treasury bills issued to the Dominion Government for \$3,202,748 and stock on hand valued at \$218,841.09, the actual payments of the Provincial Government were about half a million dollars.

A general statement of the assistance given by the Governments of Canada and Saskatchewan to maintain and re-establish the agricultural

industry in those portions of Saskatchewan that have suffered so severely from diminished farm income since 1930 was given to the Commission by Dr. F. H. Auld, Deputy Minister of Agriculture for Saskatchewan (evidence pp. 11743-11792). Only with ultimate adjustments will it be possible to determine the provincial share, but it was stated that an expenditure of about \$85 million has been made. In the case of Saskatchewan, a write-down of \$17,682,157.61 was made by the Dominion in 1936-37 (Public Accounts for the fiscal year ended March 31, 1937, p. x) as part of a co-operative program for the adjustment of farmers' debts in the drought area. Dr. Auld fixed the aggregate cancellation at about \$36,000,000 (evidence p. 11755), with a possible addition of \$9,000,000. These amounts covered feed and seed and direct relief.

The railway companies, it was noted, had generously provided for movement of relief supplies at reduced rates, representing a contribution of several millions of dollars during the current relief period (evidence p. 11773).

In Manitoba, approximately \$1,800,000 was appropriated between 1933 and 1937 for feed, seed and other relief as guarantees to municipalities or by purchase and distribution of seed in unorganized territory. A large proportion of this total has been repaid by the municipalities or farmers, or written off. Subsequently, the Manitoba Government wrote off farmers' debts including some of the above items to the amount of \$804,897.02 and the Dominion in return cancelled Manitoba Treasury Bills to the same amount. (Public Accounts for the Fiscal Year ended March 31, 1937, p. x.)

DOMINION GOVERNMENT DISBURSEMENTS

It is quite impossible to differentiate the federal appropriations for farm relief as distinct from other relief expenditures. The following table, however, lists those Dominion Government disbursements made under relief legislation since and including the Unemployment Relief Act, 1930, and up to December 31, 1937, that at least in part went to farm relief.

—	Manitoba	Saskatchewan	Alberta	Prairie Provinces
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Direct relief.....	5,537,681 50	21,692,225 75	3,888,498 02	31,118,405 27
Grants-in-Aid—August 1, 1934, to December 31, 1937.....	6,714,018 75	9,742,250 00	4,981,125 00	21,437,393 75
Agricultural relief other than Direct Relief in Drought Areas*.....	159,324 83	8,336,536 78	495,224 91	8,991,086 52

Source: Dominion Unemployment Relief Commission, Ottawa.

*Includes movements of stock and equipment, feed and fodder, agricultural resettlement and assistance to settlers moved, etc.

The Direct Relief expenditures and the Grants-in-Aid shown above are for both urban and farm assistance and it is practically impossible to separate the two items. Based on certain months, however, it would appear that approximately 20 per cent in Manitoba, 80 per cent in Saskatchewan and 70 per cent in Alberta went to rural areas. The above figures do not represent the total of relief disbursements in these provinces. For such data reference should be made to the tables following.

Department of Agriculture.—Expenditures for feed and fodder in 1936-37 and 1937-38 and direct relief in 1937-38 in the Prairie Provinces were made by the Department of Agriculture and are additional to those listed in the table above.

DEPARTMENT OF AGRICULTURE RELIEF EXPENDITURES

	Manitoba	Saskatchewan	Alberta
	\$ cts.	\$ cts.	\$ cts.
Feed and Fodder, 1936-37.....	200,078 12	2,399,698 09	1,007,556 49
Feed and Fodder, 1937-38.....	50,000 00	8,341,302 28	450,468 59
Direct Relief, 1937-38.....	—	6,976,146 06	333,363 18
Special Foodstuffs, 1937-38.....	—	969,299 83	

Source: Department of Agriculture, Ottawa.

RELIEF THROUGHOUT THE DOMINION

It must not be assumed from the above listing of amounts spent for relief in the Prairie Provinces that such expenditures are confined to those provinces. The following table is included to correct any such impression. It also gives the percentage rural of the population in each province:

	Dominion disbursements under Relief Legislation. 1930 to March 31, 1938	Percentage rural in total population. (Census of 1931)
Prince Edward Island.....	1,199,035 22	76.9
Nova Scotia.....	8,485,794 80	54.8
New Brunswick.....	6,202,323 89	68.4
Quebec.....	56,007,586 14	36.9
Ontario.....	94,715,433 27	38.9
Manitoba.....	24,087,129 05	54.9 (56.3)
Saskatchewan.....	49,851,713 71	68.4 (69.9)
Alberta.....	18,282,900 43	61.9 (62.9)
British Columbia.....	29,117,044 67	43.1
Yukon and N.W.T.....	49,101 31	—
Miscellaneous.....	2,564,833 24	—
	291,800,186 26	46.3

Source: Dominion Unemployment Relief Commission, Ottawa.

For the Prairie Provinces, the above figures do not include feed and fodder relief, 1936-37 and 1937-38, and direct relief, 1937-38 administered by the Department of Agriculture (see page 137). The main constituents of the total given above are:

	\$	cts.
Grants-in-Aid.....	88,500,798	97
Direct Relief.....	84,320,008	15
Public Works.....	70,530,296	88

AGRICULTURE AND INDUSTRY IN DEPRESSION

In connection with the burden of relief in depressions, it seems pertinent to emphasize that agriculture in Western Canada and industry in Eastern Canada react quite differently to low prices and reduced effective demand. Farming, as has often been emphasized, is a mode of living as well as a business occupation. When prices fall, the farmer commonly stays on the land and keeps on producing. In the West, he has really no alternative. (The Census of 1936 revealed that in each Prairie Province, between June 1, 1931, and June 1, 1936, rural population actually increased, the total increase being about 69,000 head while the urban population declined about 2,500.) As income is reduced, the farmer must lower his standard of living and, as conditions become extreme, cease paying his debts. The final stage is relief, when income is insufficient to pay for food, clothing and fuel. It is notable that drought and other factors limiting production were more cogent reasons than low prices in forcing relief measures for western agriculture.

When depression strikes industry, there are various alternatives open, among them being reduced production, lower wages, reduced hours and staffs. If these fail, the plant may be closed. The effect of depression in industry can be shifted in a variety of ways. As depression deepens, the burden is in large measure thrown on the municipality and finally on the provincial and federal governments. To the extent that the municipalities absorb this burden, relief to industry is not as apparent as in agriculture. Agriculture cannot shift the burden of depression; it, by its very nature, must take nearly the full shock—and keep on producing.

PRAIRIE FARM REHABILITATION ACT

Expenditures under the Prairie Farm Rehabilitation Act up to January 31, 1938, amounted to \$2,302,206.

Manitoba.....	\$ 215,620
Saskatchewan.....	1,772,468
Alberta.....	314,118

The expenditures under the P.F.R.A. include a wide range of activities, but the principal items cover water development, district experiment substations, reclamation projects, grass seed developments, soil survey and research, tree planting and distribution of pure seed.

FARMERS' CREDITORS ARRANGEMENT ACT

The following table summarizes the work of this Act, in force in the Prairie Provinces since September 1, 1934:

	Manitoba	Saskatchewan	Alberta
Number of applications for adjustment.....	3,596	6,454	4,714
Number of cases adjusted.....	2,610	4,383	2,458
Total debt of cases considered.....	\$18,542,819	\$37,944,486	\$21,097,400
Total amount of reduction.....	\$7,879,589	\$13,433,867	\$8,125,850

In addition to the above reductions in the total debt the interest rates in most cases were scaled down. The total estimated annual saving to the farmers resulting therefrom is Manitoba, \$617,742, Saskatchewan \$949,119, Alberta \$791,564.

CAUSES WITHIN CANADA

The foregoing is a short résumé of conditions surrounding the production and the trade in wheat in importing and exporting countries. Viewed in relation to the subject now under discussion, "the causes of the decrease in Canadian grain exports in recent years," it is clear that the outstanding factor is the great shrinkage which has occurred in the importation of wheat by the countries of continental Europe. (See Table on page 121.)

The question which remains to be answered, therefore, is whether Canada has contributed in any way to the production of this shrinkage or to any decrease in our share (compared with other exporting countries) of the market, such as it is.

Again I may say that the background of this question and the importance of it lies in the fact that Canada is, and, according to the opinion I have formed in pursuing this inquiry, must remain, a large-scale exporting country, and that wheat is one of our main export commodities, representing an average over the last 15 years for wheat and wheat flour of 28·7 per cent of our total domestic exports, with an average annual value of \$279,000,000.

In the course of time our producers may find it to their advantage to devote their activities, in a larger degree than at present, to some other form of agricultural production. But our present problem is to find markets for the whole of the wheat surplus we are producing and are likely to continue to produce for a long period of years.

Canada has had the following percentages of world total net exports of wheat and wheat flour in recent years:

	Per Cent		Per Cent
1922-23	39·0	1930-31	32·1
1923-24	41·2	1931-32	25·8
1924-25	24·8	1932-33	41·0
1925-26	46·0	1933-34	34·5
1926-27	34·3	1934-35	30·3
1927-28	39·6	1935-36	47·8
1928-29	42·4	1936-37	33·8
1929-30	31·0	1937-38*	16·3

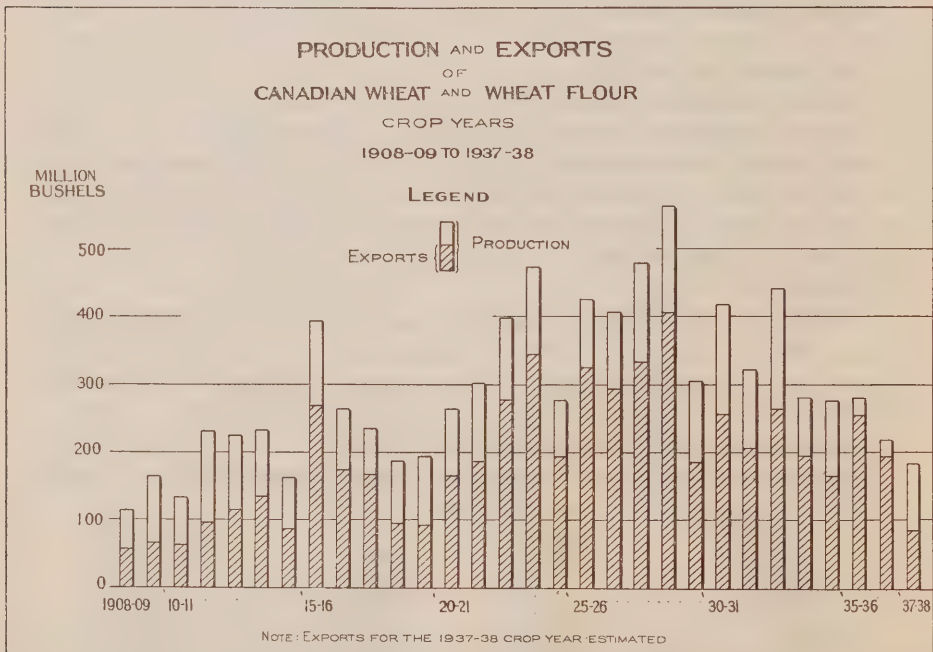
*Partly estimated.

Source: The International Wheat Situation, Wheat Advisory Committee, 1938.

The period covered in this table was marked by the reduction of the share of the United States in the world wheat trade. In the period 1922-27, the United States' percentage of world wheat trade was 23·2; in 1927-32, 17·7; and in 1932-37, 9·0. This certainly left an opening for the other exporting countries, including Canada, to fill. Up to and including the crop year 1934-35, Canada did not secure her fair share of the market resulting from this development. Argentina and Australia took advantage of the opportunity and generally followed a policy of selling their annual crops within the same crop year while Canada accumulated a surplus of over 200 million bushels. When this surplus was exported in 1935-36 and 1936-37, our share of world trade rose again to the figures shown in the above table. The decline in 1937-38 is a product of the short crop of 1937, the poorest since that of 1914.

Looking then at a reduced overseas market and at a reduction in our share of that market during most of the depression period, I find certain factors in the situation which we ourselves have contributed.

In the first place we have had a succession of short crops with a relatively small exportable surplus (See Table on page 24). This is one of the causes of our decreased share in international wheat exports, and is one which is usually overlooked when the question is under discussion. For this misfortune no blame can be attributed to anybody. The following chart will illustrate this situation and will also show the close relation



between production and exports through the years. There are some exceptions to this correlation, notably in those years when the large carry-over was being accumulated and later in 1935-36 and 1936-37, when it was being disposed of.

In the second place we have Canada's tariff policy which, inevitably, came up for some discussion on an inquiry of this nature. I do not think that it is within my remit or within my competence, to deal with the Canadian tariff question in all its bearings on our national life. There is however no doubt, in my opinion, that the customs laws of other countries, including Canada, played some part in the adoption of policies that led to a shrinkage of wheat imports into the following countries: Switzerland, Italy, Belgium, Holland, and in a less degree, Germany and France. Whether or not disadvantages in respect to wheat may, within Canada, have been offset in whole or in part, or may have been totally overborne, by advantages in other directions, is not for me to attempt to say. But speaking only of wheat, I think from the evidence, that we have contributed to some extent to the shrinkage in the available market by our customs tariff laws. On the other hand, it was pointed out to me with some force, that in view of our small population (only 11 million consumers) it would be hard for us in any event to offer worthwhile advantages in the way of tariff concessions to such countries as might thereby be induced to buy more wheat from us.

However, speaking only of our wheat, I agree with what was said in evidence by Mr. J. R. Murray, former Chief Commissioner of the Canadian Wheat Board, that tariff or other arrangements which will result in each case in disposing annually of even only small quantities of wheat, such as say 5 million bushels, are worth while striving for. The sure disposal of these additional quantities, here and there, will count in the aggregate and will tend to prevent the accumulation of surpluses from year to year.

For a full, expert, treatment of the whole tariff problem in its bearing upon wheat, I would refer to exhibits 19 and 713.

In the third place, I think some contribution to the narrowing of the export market was made by the announcements of policy tending towards an international selling monopoly and high prices, made on such occasions already referred to as the conferences held at St. Paul and Kansas City in 1926 and 1927 and in which representatives of our Wheat Pools took part.

Fourthly, we have the incidents attending our 1929-30 crop year and which have been dealt with at length in discussing the Wheat Pools, including the unfortunate pronouncements which accompanied the withholding of our wheat supplies.

And finally we have the effect of our stabilization measures, particularly in 1934-35. In that year there was a maintenance of out-of-line prices and a consequent accumulation of unexported supplies which undoubtedly had a bad effect on our overseas customers. Our farmers who sold at these prices received the immediate benefit of the policy; but our export market suffered.

Speaking of these last two incidents, I must say that I am also satisfied, on the evidence I received overseas, that their unfavourable effect has now disappeared, having been removed by the policy of continuous offering carried on by the Board under the provisions of the Canadian Wheat Board Act, 1935, and which resulted in the liquidation of our accumulated surplus. From now on, with a reasonable selling policy, there is no reason why we should not receive, from year to year, the share of the overseas market which the quality of our wheat deserves.

CHAPTER X

DURUM WHEAT, COARSE GRAINS, FLOUR AND RESEARCH

ALTERNATIVE CROPS

While the future of the world wheat market remains clouded and uncertain, it is pertinent to inquire into the economic possibilities of shifting some wheat acreage into alternative crops. In 1937, the acreages of the grain crops in the Prairie Provinces were:

Wheat..	24,599,000
Oats..	8,579,000
Barley..	3,562,300
Rye..	808,200
Flax-seed..	233,300
	<hr/>
	37,781,800

Since the total field crop area in the same year was 40,314,000 acres, it is seen that these five crops account for 93·7 per cent of the total. Other crops are of minor importance, except in certain favoured areas.

Durum Wheat

Firstly, something should be said regarding the possibilities of Durum wheat. Durum wheat is a special type that is practically rust-resistant during growth and therefore particularly suitable for parts of Manitoba and Eastern Saskatchewan. It is utilized mainly in the making of semolina, macaroni and like products and only on rare occasions and in limited amounts in the manufacture of bread flour.

In 1937, due to exceptionally favourable weather in Manitoba, the Canadian production of Durum wheat reached the large figure of 26,400,000 bushels, of which 24,400,000 bushels originated in Manitoba and the remainder in Saskatchewan. The large production in Canada coincided with big crops in the other producing areas, particularly Italy, the United States, Turkey and North Africa. The demand for the Canadian product was limited and only about 6 millions have been exported to date, with the likelihood that perhaps 8 or 9 million bushels will be shipped during the whole crop year ending July 31, 1938. A large proportion—possibly one-half—of the small Canadian wheat carry-over at July 31, 1938, will be of the Durum type. Prices for Durum in Canada have been at large discounts under the Northern grades throughout this crop year.

In the next few years, there does not seem to be any possibility of diverting much bread wheat acreage to Durums. More likely, there will be a decrease in Durum acreage at least until the large 1937 crop is exported. In Italy and Germany, substitutes for Durum are becoming important. In France, a government decree forbids use of any wheat except Durum in the manufacture of semolina but consumption is said to

be declining and, in addition, Algeria is becoming an important source of semolina.

Durum wheat acreage cannot be relied upon to absorb any decrease in bread wheat acreage.

Flax

The Canadian Flax Association submitted a brief (Ex. No. 707) pointing out that the acreage devoted to flax-seed has been declining during the past thirteen years. Flax was a common crop on new breaking during the development of the West. Canadian acreage reached a peak of 2,021,000 in 1912 and was high again in 1920 (1,428,164 acres), and 1924 (1,276,667 acres). In 1937, the acreage was only 241,300 and the production 697,600 bushels.

It is emphasized in the brief that the Canadian crushing industry requires approximately 2,500,000 bushels of flax-seed annually, while domestic seed requirements account for another 200,000 bushels. Further,—

“Canadian imports of flax-seed and equivalent linseed oil during the past number of years (1926-35) have averaged 722,000 bushels annually, representing a sum of \$1,200,000.

“Flax-seed is used almost exclusively for the manufacture of linseed oil, which in turn is used in the manufacture of paints, enamels, varnishes, lacquers, soap, linoleum, oilcloth, patent leather, putty, printers’ inks, etc. Linseed oil is appreciated above most other vegetable oils for the above mentioned processing industries, because its chemical composition permits it to dry rapidly in the air to a hard, non-tacky mass.

“Canadian flax-seed is undoubtedly the best securable both as regards quantity and quality of oil.”

This superiority prompts the Association to suggest that Canada would have an advantage in export markets, particularly in the United States, and that

“this country would dispose of some 10 million bushels annually without substantially affecting the Argentine trade.”

The brief goes on to mention that “the best quality flax-seed is obtained from areas of average or low protein content wheat,” for instance the Goose Lake area, the Red River valley, along the Manitoba-Saskatchewan border and in the irrigated areas of Alberta. The dollar return per acre from flax-seed in these favoured areas exceeds that of wheat and other grains.

The Association recommends:

1. More research, especially that directed towards development of early-maturing wilt-resistant varieties.
2. More education among producers on varieties and cultural methods.
3. Study of tariffs, especially that on soya bean meal which enters duty free and competes with superior Canadian linseed meal.

Oats

The use of oats as a cash crop is limited mainly because of the price factor. Oats have a high proportion of hull and are best utilized on the farm for feed. Their low value per unit will not withstand costs of transportation and, in fact, only a small proportion of the crop is marketed in Western Canada and a still smaller percentage moves into world trade.

Oats are grown in certain central, northern and far western regions of the Prairie Provinces because they are a safer crop than wheat, having a shorter growing season and thereby more likely to escape frosts. In the southern districts, wheat is a much more suitable crop but oats are grown in rotation with wheat to provide feed and to utilize labour and machinery to better advantage by stretching out the seeding and harvesting seasons.

It is the park lands, the northern and western parts of the Prairie Provinces, that are best adapted to oat production and in these very regions we have noted that wheat of lower quality results. Garnet wheat, having a shorter growing season, caused a shift from oats in these areas and it is quite possible that the segregation of Garnet from the Northern grades will divert some acreage back to oats. The oats grown in these areas are of high quality. Mr. John MacLean of the Glasgow Corn Trade Association confirmed this (evidence p. 10404):

“Q. Are Canadian oats regarded as of good quality?

A. (Mr. MacLean) I should say so. Canadian oats are the nearest we can get to Scottish, barring New Zealand.”

While there will usually be a small overseas market for high quality oats, it will continue to be relatively unprofitable to ship the lower grades any great distance and the main market will be in live stock feeding, particularly for horses, cattle and young stock of all classes. The future of oats as a western crop is therefore closely related to the future of the live stock industry.

Barley

Barley is a crop with a shorter growing season than wheat or oats, but it requires more rainfall than wheat for optimum growth. In Western Canada, the highest yields and best quality of barley are produced in the so-called park lands to the north and west of the agricultural area. This is the area where wheat is more inclined to be starchy and of lower protein content. To the extent, therefore, that barley can be grown profitably in this area, it will displace wheat of lower quality.

From what I have heard in the course of this inquiry, it seems to me that more attention might be given to the production of malting barley in these areas. This appears to be a promising alternative to wheat.

At this place, it is interesting to refer to the following portion of the record taken at Glasgow, Scotland, during discussion with representatives of the Glasgow Corn Trade Association:

" Mr. PITBLADO: Has there been any (Canadian Barley) come over during the last year?

A. The Distillers' Company Ltd. are big users of No. 3 Canadian barley; they buy it all the year around, when the price is in line. Last year Canadian barley was out of line, and they bought mostly Danubian barley.

Q. When they bought, did they buy through the trade here?

A. Yes.

Mr. COYNE: When you are buying Canadian barley, have you any guarantee that it will be for malting, or feeding barley, as you want it?

A. We buy it in grade; nine times out of ten, if a distiller buys it, it serves his purpose. Occasionally it has not malted? Is that right?

Mr. MACLEAN: I suppose there have been such cases.

Mr. AITKEN: Very little Canadian barley is malted. The real high-class distillers here do not go in for Canadian barley; that is what they call the raw grain distillery. The malt and barley has to be of a superior type altogether. I do not think much comes from Canada. We get a good deal from California.

Q. You do not need the malting barley for distillery purposes?

A. Not for our grain distilling. There are two types. You can make whisky out of maize, or anything, out of potatoes, if you like. That is what you call the raw-grain distillers. The high-class Scottish whisky is made from the very best malting barley, either Scottish or some Californian, probably. It is wholly malt, and the whisky is made entirely from the malt. These raw-grain distillers sometimes use a good deal of the No. 3 Canada Western, but it is not malted.

Q. No. 3 Canada is not malted, but what we call Canada Western Extra is a malting-grade, is it not?

A. Mr. MACDONALD: No. There is 3 Canada Western barley. The Distillers' Company here were practically the only users of it for a long time for distilling. It is not used for malting; now they have come on more to 3 Canada Western, 6 Row variety; that is another of their grades.

Q. Is that a malting variety?

A. No, it is a distilling barley. They use it for distilling, not malting. It is a similar operation.

Mr. AITKEN: There used to be a considerable trade done in oats and barley for feeding. That has been going down rapidly in the last 10 or 12 years, simply because of the decrease in the horse population. The number of horses in the City of Glasgow now is very small compared with what it was 20 years ago, there is so much motor-haulage. Feed oats and feed barley have gone down

very much indeed. There is a certain amount of barley ground up for cattle feeding.

Q. Did you ever hear of any complaint about the condition of Canadian barley coming over here, too much foreign matter in it, or something of that sort?

A. Yes, there have been one or two complaints.

Q. As in the case of wheat, would it be isolated cases?

A. I think probably as far as Scotland is concerned, there would be more complaints about Canadian barley than wheat. There have been one or two cases where the distillers could not use it.

Q. Was that because of the condition of the barley itself or of the admixture of foreign matter?

A. It just happens sometimes that barley does not germinate." (Evidence pp. 10398-10400.)

It developed later in the course of questions (evidence p. 10403) that the real malting grades (for instance, No. 3 C.W. Extra) were not coming to Scotland. Recently, largely as a result of drought, the production of malting barley in the West has been no more than sufficient to meet domestic and United States demand. Premiums have often existed and there has been little for overseas trade. It appears to me that more publicity among our producers regarding malting varieties and the best cultural methods should be undertaken. At the same time, overseas buyers should be made better acquainted with the malting grades of our barley. There is also need for further study of environment, barley variety and malting methods in their effect upon the diastatic activity of the resultant malt.

FLOUR

Representatives of the Canadian National Millers' Association and the Ontario Flour Millers' Association appeared before me in Winnipeg on January 29, 1937.

Mr. G. S. McArthur of Toronto, Secretary of the Ontario Flour Millers' Association, made the following representation:

"We desire that our views be heard and considered for the following reasons:

- (1) That Canadian flour in foreign markets creates a demand for Canadian wheat.
- (2) That Canadian millers over a period of the last 20 years have ground over 20 per cent of the wheat produced in Canada and nearly 25 per cent of the wheat marketed.
- (3) That Canadian millers are creatures of circumstance in that they can only sell flour for export when Canadian wheat is on a world's parity of value, and any marketing policy that contemplates withholding supplies from world markets over a long period in the hopes of realizing higher prices stifles their operations.

- (4) That the successful merchandising of any food product depends on being able to give consumer steady supplies in relation to demand 52 weeks in the year.
- (5) That the industry itself is inherent to Canada, and represents a huge capital investment spread from coast to coast." (Evidence p. 3951.)

The recommendations of the organization were:

"As to ways and means, we respectfully submit—

- (1) The Federal Government be urged to make Reciprocal Agreements with countries offering possible markets for Canadian wheat and flour.
- (2) The removing of transportation barriers so that flour, as a factor in maintaining and increasing wheat sales, will move at freight rates more in line with rates on wheat.
- (3) Co-operative methods be accepted by making known in potential markets the superior quality of Canadian wheat and flour." (Evidence p. 3961.)

"In conclusion we respectfully ask:

- (1) That there be a continuation of an open market in Winnipeg with its day by day reflection of actual values and price.
- (2) That no government agency be again permitted to purchase options.
- (3) That as soon as practicable the present most efficient Wheat Commission (the Canadian Wheat Board) be permitted to clean up their operations and withdraw.
- (4) That Canadian Millers, in whatever proposals be made for the betterment of conditions, be given their rightful place as a most important selling force, and as such, and in the general interests of the Country as a whole, be never again placed at a disadvantage as compared with foreign mills grinding Canadian wheat." (Evidence p. 3964.)

The last reference to being "placed at a disadvantage" refers to those occasions when the Pool offered wheat overseas at less than the domestic price at Winnipeg, plus transportation and other necessary charges.

The recommendations made by Mr. D. S. MacLachlan for the Canadian National Millers' Association were:

"Finally, we suggest for the consideration of the Commission the following ways and means for extending the sale of Canadian wheat and flour—

- (1) A free and open market.
- (2) Reciprocal trade treaties.
- (3) Stabilization of exchange.
- (4) Equalization of all freights on wheat and wheat products from inland points to seaboard.

- (5) Maintenance of a fair differential between wheat and wheat products for ocean shipment." (Evidence p. 3843.)

OVERSEAS EVIDENCE

In London, I had the benefit of the views of representatives of the National Association of Flour Importers. Like the Canadian millers, these men favoured a free market; premiums in such a market represented the intrinsic value of the wheat and are not resented. "Free trading leads to confidence and confidence tends to increased trade," in their opinion. Regarding flour, they desired a free market, stable exchange and no discrimination as compared with wheat in inland or ocean freights. At present, it was stated (evidence pp. 9706-08) the rates on wheat, both inland and ocean, are considerably lower than on flour.

The British market imports some 2·3 million barrels of Canadian flour annually, equivalent to about 10 million bushels of wheat. Further, the importation of Canadian flour implies or forces the importation of Canadian wheat. They believed that if it were not for the constant push and energy of the flour importers and of Canadian millers, the British miller would tend to reduce the use of Manitoba wheats to a minimum (evidence p. 9668). The majority of flour importers do not hedge, it was stated, but it is an added facility when somebody wants that protection.

FREIGHT RATES

On the question of relative freight rates on flour and wheat as well as on the question of domestic and export freight rates on grain (raised in evidence at Vancouver and Edmonton, particularly), I have been careful to inform those concerned that their representations should be made to the Board of Railway Commissioners for Canada. This is the Board having jurisdiction in such matters.

RESEARCH

I have made some inquiry into researches made to date into the question of industrial uses for wheat, other than the manufacture of flour, macaroni, semolina and similar products. I learn that wheat starch shows excellent promise from the technical point of view, but that economic considerations usually lead to the use of corn in starch manufacture. I am informed that in years of low wheat prices, the lower grades of wheat, having a starch content equal to or higher than that of the top grades, might be partially utilized in this way. It was pointed out in reports of the National Research Council (See for instance "The Relative Merits of Wheat, Corn and Other Starches, A Survey of Current Literature" by C. A. MacConkey and "Industrial Uses for Wheat Starch" by W. Gallay) that the consumption of starch in Canada annually is about 100 million pounds, mainly as confectioners' glucose and for culinary purposes, but also

in the manufacture of baking powder, in laundry work and to a small extent in several other processes. About 95 per cent of the starch used in Canada is derived from corn because of the lower cost. Wheat starch, however, has some superior qualities in textile finishes, culinary pastes and baking powder.

Researches into the use of grain alcohol in motor fuel have also been carried on. A report has been prepared on this subject by Mr. C. Y. Hopkins of the National Research Council. While some desirable qualities in alcohol as a motor fuel were evident, the cost seems to be out of all proportion to gasoline, at present.

"It is estimated that the cost of producing alcohol from grain is three or four times the cost of producing gasoline."

Further, however, it was found that

"The use of alcohol in proportions of 10 or 15 per cent of the total motor fuel consumption might render unnecessary the importation and use of tetraethyl lead as an 'anti-knock' agent."

Barley, as a matter of fact, seems to be a more economical source of motor fuel than wheat.

THE ASSOCIATE COMMITTEE ON GRAIN RESEARCH

This committee associates the workers of the National Research Council, the Dominion Department of Agriculture, the Board of Grain Commissioners and four Universities, McGill, Manitoba, Saskatchewan and Alberta. Other Government departments, laboratories and commercial organizations have co-operated from time to time. Some of the studies made under this committee's supervision have covered the drying of tough and damp wheat, the feasibility of using protein content as a factor in wheat grading, the testing of varieties and strains of grain, frosted wheat and its grading, investigations of malting barley, the oil quantity and quality of western flax-seed, drought resistance in wheats, and Durum wheat research.

There can be no doubt that these studies have greatly advanced our knowledge of Canadian grain and that they have had important commercial applications of substantial value to the producers of grain. It is of interest to know that such co-operation and unified action is available to meet the scientific problems affecting grain as they arise. I feel sure that the Government will continue to give to such work the consideration and support that it deserves.

CHAPTER XI

CAPACITY OF OVERSEAS MARKET—FUTURE PROSPECTS

In entering upon the present chapter I am drawing nearer to the final task committed to me, that is to report upon "The measures which should be taken to retain and to extend the marketing throughout the world of Canadian wheat and other grains and their products."

In approaching this subject one is met at once by several questions, the principal of which are: (1) what is the capacity of the overseas importing market? (2) what are the prospects, having regard to world factors, of the increase or decrease of that market? (3) what can we do to increase our share of the market, such as it is now or such as it may become in the years before us?

I have shown in Chapter IX that our present export market is a greatly shrunken one, and that the shrinkage is accounted for, almost entirely, by the changed situation in Continental Europe. These Continental countries imported annually about 374 million bushels of wheat in the five-year period 1927-1932, which was practically the same as in the period 1922-1927, and only slightly in excess of the pre-war period 1909-1914. But in the period 1932-1937 they imported only 171 million bushels annually. So we have been faced, on the Continent, with a shrinkage of 203 million bushels a year in the last five years, while the United Kingdom remained about as it was, importing annually 226 million bushels, only about 11 million less than formerly.

EVIDENCE RE FUTURE PROSPECTS

And what of the future? No one, of course, can speak with any great confidence one way or the other. The uncertainties of the European wheat situation are bound up with many other great uncertainties, political and economic. Opinions have, however, been expressed and among these I cite the following which appear to be the most interesting. It will be noticed that some of these are optimistic and some pessimistic on the subject of a possible increased European demand for imported wheat.

Dr. Alonzo E. Taylor's views are contained in the following extracts from his evidence which was given in November, 1937.

"It is my view that, in the absence of war and with continued recovery from the world depression, an increase in the amount of wheat passing into international trade may be anticipated, and that on several cumulative grounds" (evidence p. 13932).

"To the extent that the countries in Europe lose their fear of war with each other and lose their ambition towards independence in cereal supplies we can find the following changes occurring

gradually. In a few countries the expansion of wheat growing will be found to have been economic and sound. Sweden is one. In many of the countries the expansion of wheat acreage will be found to be uneconomic and unsound. Holland is an obvious one. But when you appraise the entire group it is fair to assume that there will be a somewhat lessened acreage planted to wheat. . . ."

"Certain countries will make the decision in one direction; other countries in the other; but probably, if we can forecast it, the net effect will be that Europe will tend to raise less bread grains and tend to raise more feed grains" (evidence pp. 13935-6).

"Now the sum total of all this is that we believe that in the course of a few years the psychological conditions developing will be a reversal of the trend of the European crop west of Russia and that they will raise say 50 million bushels less than they did for that whole area; perhaps it may be 100 million" (evidence pp. 13936-7).

"The sum total of all this would be, just as an illustration, that Europe would import 50 million bushels more of wheat than she has been doing—perhaps 100 million bushels."

"So I join with a group of men who do not believe that Europe is on the verge of a war which will destroy civilization but that, after a lot of bluster and one thing and another, people are gradually going to return to the practices of peace and objectivity and decency, and I think that will cause an improvement in the total standard of living and that there will be an increased relative demand and an increased absolute demand, with the result that Europe will become relatively less self sufficient in bread grains and will rely upon the outside world more" (evidence p. 13938).

It will be noted that Dr. Taylor's judgment is based upon the absence of war and continued economic recovery. In subsequent examination, he foresaw the possibility of bumper crops giving supplies in excess of the annual market requirements but, while in agreement with Mr. Cairns "with respect to the possibility of the occurrence," he added "I envisage quite differently the probability. I think it will occur only rarely."

Professor Knox of Queen's University, who gave evidence in November, 1937, also made certain assumptions as the basis of his conclusion. They were as follows:

"I make three assumptions for the rest of this discussion: first, that there will be peace or at least a lively prospect thereof; second, that the capitalistic system will stay sufficiently a system of private property and free enterprise to make it possible for us to use economics as a basis for prediction; and, thirdly, which is implied in the second, that the volume of governmental control, whatever it may be a hundred years from now or even fifty or twenty-five years from now, will not increase very rapidly over the next decade, with which we are now concerned" (evidence p. 13709).

With these assumptions in mind his views are expressed as follows:

"My point is that when the demand for food products revives in these countries, the rents demanded for land and the alternative returns to the farmer in other forms of agriculture will tend to cause a shrinkage in the European production of wheat. It would be against all reason and experience to assume that land and labour will be retained in wheat production if alternative and more remunerative employment are available.

"Granting then a period of relative stability in international economic relations and the continuance of recovery, there is good ground for the view that the world demand for wheat will revive and that overseas countries will be in a position to supply the larger part of the increased demand. It is to be borne in mind, of course, that a larger fraction of the world's total production of all sorts of commodities will be marketed in the country of origin than has hitherto been the case. It is probable also that production of food products will become relatively less important as the rate of population increase in western countries declines. But unless one is very pessimistic about the stability of the economic system in the western world or fearful of political disturbance on a large scale, there would seem to be no warrant for the conclusion that the economic revival will be so modest as to leave the producer of wheat in overseas countries in the sorry plight of recent years." (Evidence pp. 13738-9.)

Mr. Andrew Cairns, Secretary of the world organization known as the Wheat Advisory Committee, who appeared in London in July, 1937, gave the following view:

"Our principal conclusion from the foregoing analysis is that during the next few years the average annual world demand for imported wheat is unlikely to exceed 575 million bushels." (Evidence p. 9809.)

This conclusion was based on four definite assumptions with regard to maintenance of acreage, production, stocks and consumption in importing countries.

Turning particularly to Canada's share for imported wheat, Mr. Cairns said:

"Leaving aside the question of what future wheat policy the United States is likely to adopt, there appear to be no good reasons for supposing that Canada's competitive position as an exporter of wheat will be strengthened in the near future, nor that the position of any of her principal competitors will be appreciably weakened." (Evidence p. 9812.)

"It appears reasonable to anticipate that in the next few years Canada should enjoy a share of total world exports not far short of her 1922-23—1936-37 average of 36.2 per cent." (Evidence p. 9814.)

Mr. Cairns then went on to calculate Canada's share of world trade in the next few years at about 208 million bushels, using the above assumptions that he regarded as "rather optimistic." He calculated the wheat acreage of exporting countries "in excess of what would produce sufficient to meet demand" at 36 million acres and Canada's excess at 7.4 million acres of the 1936 acreage of 25.4 million acres.

The judgment of the Food Research Institute of Stanford University, California, is given in *Wheat Studies*, Vol. XIII, No. 4, December, 1936, at pages 202 and 203.

"In any event, it seems improbable that, over the next five or six years, economic forces will be permitted to operate as freely as in the eight years preceding the great depression. Narrowly nationalistic views still dominate wheat policies in various countries. Even if there should be relaxations of extreme control measures as depression gives way to something that may be called prosperity, abandonment of recent policies can hardly take place rapidly and may be more or less limited."

"Government measures in many countries are operating both to maintain or increase wheat acreage, and to restrict wheat utilization for food; and these measures have been heavily responsible for the obstinate persistence of world wheat surplus. For the time being, nature has at last caused surplus stocks to vanish. But if the conditions above mentioned persist, even in less extreme form, recovery and improvement of yields on a swollen acreage may again result in wheat crops in excess of what the markets will absorb under the handicaps imposed on human consumption of wheat in Europe."

J. H. Shollenberger, writing in September, 1936 ("Wheat Requirements in Europe," Technical Bulletin No. 535 of the United States Department of Agriculture, Ex. No. 679, pages 44 and 45), reached the following general conclusions regarding factors affecting the future European demand for wheat:

"Considered from the standpoint of long-time trends, wheat will some day become the principal and predominating grain for use in the production of bread in practically all European countries.

"Wheat production in most western and central European countries has increased during recent years beyond the upper limits of the market requirements for wheat of the kind and quality grown in these countries. This situation has resulted in a deterioration in the quality of the common breads.

"With any improvement in economic conditions or in the political situation which will permit a slackening in present restrictions on the use of foreign wheat, there will be a tendency in some of the countries for wheat production to decrease because in most of them the domestic crop is of a lower quality than is desired for bread-making purposes. Except in the Danube Basin and the

Union of Soviet Socialist Republics, European wheat are predominantly weak in quality and need the admixture of a considerable quantity of high-protein foreign wheat in order to produce a flour from which bread of satisfactory quality can be made.

"Much work is being done in most of the European countries to improve the quality of domestic wheat. Some improvement has been made and more will follow, but on account of unfavourable climatic conditions it is doubtful whether western European countries can ever reach a self-sufficiency status as regards quality.

"The author is of the opinion that in nearly all European countries the consumption of bread is declining and that in many of them, particularly those that have a low standard of living, the extent of the decline in future years is likely to be considerable, depending on what progress is made in raising the standard of living. Increases in bread consumption are likely to occur only in one or two sections where living standards at present are little above a starvation basis. Even then the increases will come only through an improvement in living standards which, if improved beyond a certain point, will in turn probably result in a decline in bread consumption. Among the countries possibly only in Great Britain has bread consumption reached that stage in its development approaching stabilization.

"The quality requirements for foreign wheat in European markets will tend toward higher levels in the future. In other words, the demand for strong-quality wheats will be even more insistent than in the past, with the result that price differences on account of quality will be more marked. The change to mechanized bread production now taking place in many sections will certainly bring about an increased demand for stronger wheats. In the case of machine-produced breads, the baking procedure used cannot be altered to nearly so great an extent or so readily as in the case of hand methods of baking; consequently, the flour used must be more uniform in quality and of greater gluten strength in order to stand more mistreatment than formerly. It is generally conceded by European millers and bakers that of the wheats of the world North American high-protein-content hard wheats possess the greatest degree of dependability in baking and therefore are given preference over all others.

"Most of the countries have sufficient or more than sufficient milling capacity for domestic needs. The governments of the few non self-sufficient countries, through discriminatory measures against imports of flour and by encouragement and assistance given to home industry, are rapidly increasing their respective capacities to the point that in the near future the import demand for flour will be practically negligible."

IMPORTANCE OF QUALITY

Although Mr. Shollenberger's remarks are not altogether optimistic on the question of a possible increased import demand in Europe, it is interesting to note the stress he lays upon the importance of the element of *quality*.

In his view, while total imports may decrease, the import demand will become more insistent for strong-quality wheat, the kind Western Canada is eminently fitted to furnish, and such wheat is likely in the future to command a price premium even higher than that now prevailing. If Mr. Shollenberger is right, the necessity for the preservation of the quality of our product is all the more essential to the success of our marketing.

MR. MCFARLAND'S VIEWS

While Mr. McFarland was General Manager of the Pool's Central Selling Agency he became convinced that the exporting countries were suffering from an over-production of wheat. He expressed this view several times in his annual reports. On the last of these occasions (November 1934), he said:

"An abundant farm reserve of feed grains would contribute a large measure of comfort and prosperity to every farmer, and, therefore, an increase in seeded acreage of oats, barley and flax, and a further decrease in wheat acreage, should be the agricultural policy of this country." (Saskatchewan Co-operative Wheat Producers Ltd., Tenth Annual Report p. 65.)

When giving evidence in Calgary in May 1937, Mr. McFarland was questioned on this statement and other statements of similar import which he had made from time to time, and he expressed himself as still being of the same opinion. The following questions and answers are of interest:

"Q. And therefore the view which you expressed, as to still being of the opinion which was set out in the passages which Mr. Pitblado read really takes effect, does it not, and you feel with those conditions facing us, possibly, control of production has to be faced. Do I understand that to be your position?

A. It is possible it will have to be.

"Q. Given this prophecy being correct and given the fact that your view was that if that prophecy is correct control of production has to take place, then it does seem inevitable that your view is that we will have to have some steps towards control of production?

A. I think it may come, and we must remember in that connection the production of quality.

"Q. That whereas there may be some control of volume, some reduction in volume, there might be an improvement in quality?

A. I think our big hope for the future for the marketing of wheat at a price which will let the farmer live depends upon quality as much as anything else." (Evidence pp. 7628-9.)

It is interesting to note that here Mr. McFarland joins Mr. Shollenberger in the opinion that the *quality* of the wheat we have to offer in the overseas market will become an increasingly important factor.

IMPORTANCE OF PRICE

But while the element of quality is important, and constitutes a decided advantage for Canada, its importance must not be exaggerated to the point of losing sight of the element of price. Notwithstanding superior quality, the consumption of our wheat declines when the price margin between it and other wheats grows too wide. We experienced this in 1929-30 and again during the stabilization period. There is the case of Scotland, where the bread commonly used is made from flour containing from 85 per cent to 100 per cent Canadian wheat, and where an excessive price might be endured for some time. But the population of Scotland is, unfortunately, only 5 millions. In England, the proportion of our wheat used declines promptly as the price rises over a reasonable margin between it and (usually), the price of Argentine wheat, and falls sometimes to as low a figure as 15 per cent. In fact during periods in recent years when our Winnipeg prices were considerably out-of-line with Liverpool, one very large milling concern in the North of England used no Canadian wheat at all. Such incidents create serious difficulties which last long after their immediate cause has disappeared. The injury done to what I may call our trading reputation takes time to repair. On the Continent, millers simply do without our wheat when the price becomes relatively too high. In all these cases, new connections are formed, new grinding and baking mixtures are resorted to, and the result is detrimental to our long-run interests. Everywhere, in the United Kingdom and on the Continent, the truth was brought home to us in almost the same terms: our wheat is grown for export and must compete with other wheats in a market which has become much restricted; the buyer has the choice in these circumstances; he can turn to other wheats. The seller has no alternative. Sentiment has nothing to do with the business of buying wheat, what counts is the price relationship of our wheat to other wheats. And what is looked upon with more disfavour than anything else, in the light of recent experience, is the idea of the establishment of a government monopoly in a producing country, whose object might be suspected to be to exact high prices, perhaps by withholding supplies in times of scarcity. There is no doubt whatever that among millers, merchants, importers of all classes and in every country the feeling on these points was practically unanimous. Only in one instance was the idea of a government selling monopoly received with some favour, but then only on the condition that the con-

sumers be represented on it and that its avowed policy be to sell freely at world prices. And again as an instance of government intervention that did no harm, the case was mentioned to us of the Argentine government which, in the year 1933, bought the crop outright from the producers at the equivalent of 53 cents a bushel and resold it promptly and freely for export, at world prices, taking a loss on the transaction but refusing to alienate buyers by asking for a higher price or withholding supplies in the hope of a rise. And I have already said that the actions of the present Canadian Wheat Board were referred to with approval because it liquidated stocks within a reasonable time at current market prices.

THE UNITED STATES AND CANADA

So once again I think it is useful to point out the difference which exists between Canada and the United States in the matter of government assistance to wheat producers. It is pertinent to the subject last mentioned.

In the United States the domestic market is the important one. In years of average crops (using the last 10 years to arrive at this average) it consumes 90·5 per cent of the production, leaving only 9·5 per cent to seek foreign markets. And it is, of course, to the producer's advantage that this domestic price can be controlled on occasion by the action of government boards: competition by foreign wheats is excluded and the American miller and other consumers must pay this domestic price. The question of the exportable surplus is of minor importance. In Canada the situation is reversed. We are more nearly in the position of the Argentine. During the last ten years we have exported annually, on the average, 61·8 per cent of our production. Our dependence is mainly upon export markets. And in those markets we must compete with active sellers who seek no favours from the overseas buyers. If ever again circumstances should induce the Government of Canada to intervene in wheat marketing by paying the producer a price in excess of world prices, no attempt should be made to enforce that excessive price overseas, that is, to pass the burden of our relief to the producer on to the overseas buyer. He will not accept the burden. And in the long run all attempts to pass it on, by withholding supplies or otherwise, will prove detrimental to the producers themselves, because it will again indispose buyers towards Canadian wheat.

SITUATION IN OVERSEAS MARKETS

The preceding pages of this chapter deal sufficiently, I think, for present purposes, with the question of the capacity of the overseas market, the competitive features which characterize it, and the conditions under which our wheat should be offered to it in respect to quality and price. It will now be in order to examine the market itself a little more closely to see how it is at present constituted, beginning with the case of the United Kingdom.

I may say here parenthetically, as a reminder to those concerned, that all the matters now being considered have to do directly with the problem of the retention and the extension of our markets and, as ancillary to the solution of this problem, with the question of the system of marketing to be recommended for the future. This last question, which I have called an ancillary one, is indeed perplexing; and this is the place to say so, before I resume the subject immediately under discussion. Changes in and around the grain trade take place so suddenly and drastically that it is difficult to have the feeling that one is dealing with anything finally. As an example of the recognized uncertainty of the problems involved, the following statement made by a witness in London may be quoted:

"I am a member of a firm which has been for 99 years in the grain trade, although I have been only 27 years in the trade. During that 99 years the trade has had to be carried on according to circumstances. I think it was Mr. Coyne who said that you wanted to find out once and for all the best way of marketing Canadian wheat. You cannot find out anything once and for all; at least, I do not think so. If you look back at the history of the grain trade, you will find that it has to change with changed circumstances."

About 1930 it looked to the British importer as if all freedom in the movement of wheat into the United Kingdom was fast coming to an end. Books were written pointing out the impending annihilation of the United Kingdom grain merchant mainly through the centralized selling going on, and apparently increasing in strength, in exporting countries. Particular reference was made, in this respect, to the action of the United States Farm Board and to that of the Canadian Pools; and a little later came Canadian stabilization. To-day all these factors have disappeared and the British grain trade has survived. The fact is that there are less traders in imported wheat than there were before the war or even say 15 years ago, but those now in the business are active and they handle practically all of the wheat used by the British millers, excepting the Co-operative Wholesale Societies, milling about 22 per cent of the flour milled in the United Kingdom, which do their own buying.

CONCENTRATION OF THE BRITISH MILLING INDUSTRY AND SUGGESTED COMBINE

As to the position of the milling industry in the United Kingdom, I cannot do better than quote from an article in *Wheat Studies*, Vol. IX, No. 9, pp. 319-20:

"Since the war the industry has become heavily concentrated in the hands of a few large concerns, notably Joseph Rank, Ltd. (which recently bought control of the Associated London Flour Mills, Ltd.), Spillers, Ltd., and the Co-operative Wholesale Society

These three companies probably control at least two-thirds of the flour-milling capacity of the Kingdom. Furthermore, with the exception of the Co-operative Wholesale Society, which produces some 20 per cent of the national output of flour, practically the entire industry is operating under a 'rationalization scheme.' This was adopted in September, 1929, to cope with the depressed and disturbed condition from which the industry suffered for years after its release from government control in 1921. The avowed objective is to reduce costs of manufacture and delivery, and to eliminate superfluous milling capacity. . . . Competition from British mills outside the Association and from imported flour alone prevent the Association from constituting a complete monopoly. The scheme is working to the general satisfaction of the millers, and is credited with having brought the industry out of poverty into prosperity. Such concentration and 'rationalization' not only do not offend British sensibilities, but seem to be regarded as sound business developments."

This concentration of the British milling industry and the decline which has taken place since the War in business between British grain merchants and Continental importers are probably the principal causes of the reduction in the number of these merchants and the concentration of their business in the hands of fewer firms.

This concentration is also responsible, I think, for the fact that overseas buying of Canadian wheat is not as continuous as formerly, but is more intermittent, larger orders with longer intervals between having taken the place of the more regular smaller-unit buying which went on when there were more mills and more traders.

The concentration of the milling industry in the United Kingdom led to the belief, in certain quarters, that the millers had combined in the buying of their wheat and that they did this buying by direct dealing with exporters in Canada and other countries, to the exclusion of the British grain trade. Statements to this effect have appeared from time to time. Both these points are important. They are of immediate interest to the Canadian producer, and they have a direct bearing on the problem of our marketing. Consequently care was taken to see that the best possible evidence was secured with a view to arriving at the true situation.

At a conference held in London with a number of gentlemen engaged in the business of milling, merchandising and importing grain the matters involved were discussed at length; questions were put pointedly and brought positive answers. As a result I am convinced that there is no buyers' combine in the United Kingdom and no direct dealing by the millers to the elimination of the grain trade.

On the first point I quote from the record certain statements that were made:

"Q. Has anybody else any other question to raise?

A. I have got one question I want to ask his Lordship. In Mr. ———'s evidence, which I have had the privilege of reading, I have seen that he has stated that he considers that there is a definite arrangement among the millers in the United Kingdom for co-ordinated buying. I think the members of this committee would like just to raise that question with you. For my own part, I would like to say that there is no evidence of it at all. I would just like to ask Mr. ——— (a prominent miller present) if he would say something about it.

(Mr. ———): All I have got to say, my Lord, is this. I have heard it said, as has just been stated, that there was a suggestion that we, in common with other people, had an arrangement for buying our wheats together. My reply, which I know you will accept, is an absolute blank denial that there is any Association, or suspicion of Association, or collaboration even. If it was stated (I do not know that it was), it is absolutely untrue.

Q. Of course, I have heard Mr. ———'s evidence; I have not read it since. The impression left upon my mind was, that it was more of a feeling he had that such a thing was going on. Is that not right?

A. That is right.

Q. It was a feeling he had. For instance, he said, you will find that Spillers Company are just doing about the same thing as Ranks, and there must be some understanding?

A. I thought it ought to be cleared up, and it ought to be denied for the benefit of the trade as a whole."

The above statements are confirmed by all others, millers, merchants, etc., who spoke with a knowledge of the situation, including the representatives of the Incorporated Association of British and Irish Millers with whom a conference was held, as will appear later.

On the second point, that of direct buying by the millers, the following quotation from the record will suffice:

"Q. What we are trying to do is to see really what part is played by the grain trade—the grain merchant. It has been repeatedly said to us as regards the grain merchant, on account of the situation which has developed in the last 7 or 8 years, his activities have gradually got less. I notice your answer to that is that his activities are not less, but perhaps the volume of trade is less?

A. We have an answer to that later on.

Q. The number is less?

A. The number is less.

Q. There is more concentration?

A. Yes.

Q. What we are trying to do is to check that with the amount imported by those whom we call purely merchants; we wondered if that was possible?

A. I would say the only broad answer you could give to that is that, with the exception of the Co-operative Wholesale Society, every ounce of Canadian wheat passes through a merchant either Canadian or European.

Q. Except that the miller imports direct, does he not?

A. No.

A. Is the suggestion that the miller in the United Kingdom imports his wheat direct from Canada, without the office of intermediaries?

Q. That was my suggestion.

A. It has been suggested?

Q. Yes.

A. It is categorically wrong. We do not know the details of the operation, but it has been suggested (I have no facts to prove it even) that the wholesale co-operatives (you know more about it than we do) do import a certain amount of wheat which they purchase over there. It has been stated also that they own farms on which they grow some of the wheat. It may be; I do not know; but, speaking on behalf of millers generally, they do not buy any wheat direct from Canada. They buy it all through the good offices of intermediaries, either agents for Canadian sellers or firms like the firm that Mr. ——— represents, and so on and so on.

Q. You are a miller yourself, are you?

A. I am a miller.

Q. We think of a Canadian exporter sending an overnight cable to a miller. That is what I have in my mind; the miller wiring back accepting?

A. I do not think there is such a thing; no, definitely. I think if there were, we should know, do you not think so, Mr. ———?

A. Yes." (Evidence pp. 10103-10105.)

This evidence is in agreement with what was said to us by the Canadian exporters in Winnipeg.

It has already been noted that the English and the Scottish Co-operative Societies have their own buying agencies with offices in Canada.

FUTURES TRADING AND PRICES

Every effort was made in Great Britain, as well as on the continent, to obtain evidence on the use made by millers and traders of the futures market and particularly of the facilities of the Winnipeg Grain Exchange, as well as the views of all concerned upon the value of our present system and the question of proposed changes.

At a conference with members of the Incorporated Association of British and Irish Millers, comprising 95 per cent of the milling capacity of Great Britain and Northern Ireland, these questions were discussed at length. All the large British milling companies had representatives at this conference with the exception of the two Co-operative Societies, who belong to the Association but who were interviewed separately at a later time.

The following points, taken from notes made at the conference, summarize the desires and the views of those present in respect to trading in Canadian wheat:

- (1) The millers desire above all an absolutely free market in all respects.
- (2) The grain trade cannot be carried on without a futures market somewhere, and if Winnipeg were closed some other market would have to be used.
- (3) Millers find Winnipeg the best place to hedge. Liverpool is rarely a good hedge for Canadian wheat; the Liverpool option is usually an Argentine or Australian option.
- (4) If Winnipeg were closed, millers would use Liverpool but this would be inconvenient for the Canadian business. Obstacles would be placed in the way of Canadian wheat, sales would decline, and Canadian wheat prices would be depressed.
- (5) To meet competition from foreign flours in the United Kingdom, millers must buy Canadian wheat at world prices, otherwise they cannot use it. At the present time they must use about 25 per cent of Canadian wheat for their grist and for that small portion they sometimes pay what looks like too high a price; but they will not pay this high price for more than this 25 per cent.
- (6) Stabilization measures in their last few years held the price of Canadian wheat too high and did not help goodwill for it. Millers at times "shopped around" to buy anything rather than Canadian wheat. Fair prices are by far the most important factor in "goodwill."

I come now to the two Co-operative Wholesale Societies which belong to the Incorporated Association of British and Irish Millers, but were not represented at the conference held with that body.

I shall first take the Scottish Co-operative. Mr. David Muir, its commercial manager, was interviewed at Glasgow. This Society is one of our best customers. It uses annually 4 million bushels of Canadian wheat, which is 70 per cent of its total milling. The remaining 30 per cent is made up of Scottish, Australian and Continental wheats. The Society does its buying through its own office in Winnipeg. This office buys from elevator companies and from Canadian exporters. The Society also owns about 15 country elevators in Manitoba and Saskatchewan. The Society's

practice is to hedge all its purchases. It hedges in Winnipeg only. Mr. Muir said,

"I would be sorry if the futures market were discontinued in Winnipeg, for two reasons: I require the futures market for my own purchases of wheat here, and as elevator owners we require the futures market for hedging our purchases of wheat from the farms."

He does not like the Liverpool market for hedging Canadian wheat.

The English Co-operative Wholesale Society is another good customer of ours, although I regret I am unable to state here the quantity of our wheat it uses annually as I have done in the case of the Scottish Co-operative. Mr. James McFadyen J.P., a director of the Society, and Mr. A. C. Bracey, Manager of the Society's Central Grain Agency, were interviewed in Liverpool. The Society hedges in the Winnipeg futures market, but these gentlemen took pains to make it clear that they do so only as a method of insurance, that they would prefer some other method, if a practicable one could be found, and that they never use the futures market for purposes of speculation. As they said:

"In other words, when we are dealing with options, it is purely a matter of insurance and that alone. . . . We have considered from time to time (and it is possible that we may take that step in the future) the advisability of cutting out altogether dealing in options; but in order to do that, it would be necessary for us, because of the extent of our operations, to build up a fairly heavy reserve fund . . . as insurance, . . . instead of the hedging insurance." (Evidence pp. 10481-82.)

They hedge all Canadian grain in Winnipeg, but they thought that, if Winnipeg were closed they could do their hedging satisfactorily in Liverpool or London. They thought that the closing of Winnipeg

"would make Liverpool broader and more representative of the true value of wheat."

As to the necessity of keeping Canadian prices in line with other wheat prices they said:

"At one time your price went so very much out of line that some millers in this country were not using any Manitoba wheat at all and some were using 5 per cent to 10 per cent, or, at the utmost, 15 per cent.

"Q. What did they use to get strength?

"A. They educated the people of the country to do without it."

It was at this interview that the idea, to which I have already referred, was suggested of a wheat selling board handling all the Canadian crop, but with consumer representation on the board. However, the examples mentioned of the success of similar organizations had to do with British boards handling commodities for sale on the domestic market without

competition and not for export. The apparent difficulty would be to apply a similar principle to a commodity offered in several different export markets on a basis of competition with sellers from other producing countries.

The foregoing summary covers mills which form by far the larger part of the total British milling industry. We were told that among the smaller millers who comprise about 20 per cent of the industry very little hedging is done, that these millers buy their wheat from the merchants as they require it for immediate use.

The merchants (who supply the millers) hedge extensively and find it necessary to do so. Winnipeg is their usual hedging market for Canadian wheat.

VIEWS OF BRITISH GRAIN TRADE

Before leaving this subject of the characteristics of the grain trade in the United Kingdom and the relations which exist there between merchants and millers, and Canadian and British traders, and the use made of futures trading facilities, I think it well to reproduce here the questions addressed to the gentlemen present at the conference already referred to and the answers to these questions. This questionnaire was submitted to these gentlemen some time before the holding of the conference to which I have referred, where, among other things, the subject of a reputed millers' purchasing combine, was dealt with, and it formed the basis of the discussion which took place at the conference. It gives an interesting and succinct description of the organization and mode of operation of the British grain trade and the views of those present on many of the questions submitted to me for inquiry in this Commission:

Question 1. General description of the organization and manner of operation of trade in Grain and Grain products in the British Isles, indicating the functions of the various branches of the trade and the part played by corn exchanges, corn trade associations and their constituent associations and members.

Answer: Trade in the Grain Markets of the United Kingdom is carried on by Shippers, Shippers Representatives, Merchants, International and local Brokers, Factors with inland milling connections, and Millers, all of whom are members of one or more of the Corn Trade Associations established at the different importing centres.

These organizations are conducted independently but work in unison through the National Federation of Corn Trade Associations which consists of the London, Liverpool, Bristol, Hull, Glasgow and Leith Corn Trade Associations, the Irish Corn Trade Association, the National Association of Corn and Agricultural Merchants, and the Incorporated National Association of British and Irish Millers. They have their own rules, regulations and by-laws, relating to trade and arbitrations.

The London and Liverpool Associations' "Futures" Markets, which provide a means of insurance against price fluctuations, are of incalculable value in maintaining the steady flow of grain to the U.K. In addition to the Port Markets, there are numerous country markets in inland centres which meet once or twice weekly.

Grain having been imported, is either immediately—(1) housed in the waterside premises of Millers or (2) is transported from the ocean-going vessel by coaster, barge, rail or road, either (a) to mills not equipped with water berths, or (b) to storages at docks, or (c) inland to the premises of millers, up-country merchants or dealers.

Importers are Merchants and Millers. Merchants are in some cases branch houses of Shippers resident abroad. The business of a Dealer or Factor is the distribution of grain in retail quantities. Brokers act also on behalf of Shippers, Merchants and Millers, in buying or selling wheat. Merchants also frequently have a brokerage business in addition to merchanting business.

The Corn Trade Associations have recognized contracts for trade in Grain, on CIF—shipment and delivery—or spot terms—and in the case of London and Liverpool Associations on terms for "future" delivery. London CIF contracts are very largely used for trade to the continent.

The London Corn Trade Association is responsible for making up F.A.Q. standards of grains, other than Canadian.

It is the function of the Association to protect members whose interests are parallel and conflicting, and therefore, in producing contracts upon which business is done, draw up forms designed to give fair treatment to all interests. The Associations also are responsible for the conduct of arbitrations.

Question 1. (a) General description of the organization, functions and operations of the corn exchanges, both cash and futures.

Answer: The control of Exchanges and the conduct of their members is in the jurisdiction of Boards of Directors elected by the members.

Question 1. (b) Purposes for which these exchanges are used by importers, millers and others in the grain trade.

Answer: As a meeting place for members, for the exchange of information about international prices, crops, and movements of vessels, and general discussion on all matters affecting the Grain Trade. Shippers, Merchants, Millers, etc., meet and trade on all terms.

Question 1. (c) To what extent, and for what purposes the facilities of the Winnipeg market are regarded as useful to the trade in the British Isles.

Answer: The Winnipeg market acts as a common centre for the Grain Trade of Western Canada, providing a daily guide to the price of Canadian wheat relative to other descriptions.

Without this market, trading in Canadian Grain would be seriously handicapped.

It offers a convenient place (1) to hedge purchases of Canadian Wheat or (2) a means for covering forward sales of flour when the required grade of Canadian wheat cannot be immediately obtained.

Question 1. (d) Whether purchases of Canadian Cash Grain are generally hedged in Winnipeg or on this side, or whether there is any general practice as to which exchange is used.

Answer: There is no general practice, the hedging of Canadian Grain depending entirely upon the Canadian price being competitive with the world's values.

Question 1. (e) The general practice, if any, for determining the event in which the future will be bought in when purchases of Cash Wheat are hedged by sales of futures.

Answer: There is no general practice as to when the Futures will be bought in. It is generally done when the Cash Wheat is sold as Wheat (or in the case of a Miller, as flour) but it is possible the hedge may be transferred from one market to another before the Cash Grain is sold. It largely depends upon the opinion of the trader as to the relative values of the hedging markets of the World.

Question 1. (f) The circumstances under which such sales of futures, when made in Winnipeg, may subsequently be transferred to some exchange on this side.

Answer: The date of transfer to some other exchange depends entirely upon the market view taken by the owner of the hedge and the relationship of the price of Canadian wheat to other wheats.

Question 1. (g) What views are held regarding the effect of the sale of Canadian Wheat in the British Isles in case the Winnipeg futures market, should cease to operate, as has been advocated by some of those who have made submissions to the Commission in Canada.

Answer: The closing of the Winnipeg Futures Market would have a detrimental effect upon the volume of Canadian grain business. The closing price of the Winnipeg Market is the basis of all calculations which are made for offering wheat throughout Europe the following morning.

Further, the Winnipeg Futures Market is in the main, the market in which hedges on Canadian Wheat are carried. The only exceptions are when other hedging markets seem relatively high in

relation to the crop prospects and/or actual crops but, broadly, Winnipeg is the hedge used for Canadian wheat in whatever position the wheat may be being carried.

It would certainly make the business of all export houses and U.K. merchants dealing in Canadian Wheat very hazardous and, therefore, tend to limit dealings.

It would seem obvious if the Winnipeg Market were closed the exporter would have to look for a definite and considerable margin to cover the additional risks involved.

It is our considered opinion that the average daily price at which Canadian wheat is sold in Europe is lower than the average daily price registered in the Winnipeg Market indicating that the Canadian grower by the existing system is getting a higher price than the c.i.f. parity of the same day. In other words, his wheat is marketed in the consuming countries without any charge to him.

Question 1. (h) The extent to which speculative interests participate in the trading on futures markets of the British Isles compared with those of Winnipeg and Chicago.

Answer: No data available.

Question 1. (i) The conditions under which Winnipeg prices have, in the past, become "out of line" (i.e. relatively high) with Liverpool prices, and how these conditions may be controlled.

Answer: In consequence of the operations of the Canadian Pool, and subsequently the Government Price Supporting Agency, Canadian wheats were held at an extortionate price compared with other descriptions. Canadian Wheats are still popular with U.K. Buyers but find competition from other Exporters when the Crops of such exporting countries move freely. At times Winnipeg prices are bound to be influenced by the domestic situation with the resultant effect upon the volume of business done, while the U.K. market is of a more international character.

Question 1. (j) How are prices of Canadian Wheat arrived at on the cash markets of the British Isles in relation to the price in the futures markets.

Answer: The answer is supply and demand. The price of Canadian Wheat in the U.K. depending entirely on the supply of competitive wheats, and on what Wheats are available for delivery on our Futures Contract.

Question 1. (k) The grades of Canadian Wheat which are deliverable under futures contracts on the exchanges of the British Isles and the conditions governing premiums and discounts between grades and types.

Answer: In Liverpool, Canadian Wheat is deliverable and graded in accordance with the terms of the Liverpool Futures contract, the Dominion grade given to the Wheat in Canada is not disclosed to the Grading Committee in Liverpool, deliveries being on an ex-store basis. "Futures" trading encourages storage of wheat, that port being well equipped owing to the economic situation of the warehouses.

In London the contract grade is No. 3 Northern Manitoba Wheat on a c.i.f. basis with the right to tender Nos. 1 and 2 at stated price premiums, and No. 4 at a stated price discount.

Question 1. (l) Whether the activities of the Merchant importers or their number has lessened in the past ten or fifteen years; if so, what views are held as to the causes for same, and as to the effect of such lessened activities on the sale of Canadian grain.

Answer: Whilst the activities of the Merchants and importers have not decreased their number has lessened and the business become more concentrated. Judgment and commercial knowledge is of little value so long as there is Government interference, and the ever present fear of still further interference tends to prejudice trade.

Question 1. (m) What part the grain trade in the British Isles plays in the sale of Canadian grain in continental and other markets outside the British Isles.

Answer: The grain trade of the U.K. participates at present only to a moderate extent in the sales of Canadian Grain in Continental and other Markets, but this position would likely be considerably modified if and when a stability of exchange rates is established.

Question 2. What views are held regarding the effect on the sale of Canadian wheat of the four main methods of marketing which (either separately or in conjunction) have been from time to time in operation in Canada, namely:

- (a) The open market or competitive system.
- (b) Wheat Pools.
- (c) Government price supporting agencies.
- (d) Government grain marketing boards.

Answer: (a) The open market or competitive system, maintained a free flow of exports from Canada, and owing to very active competition among Traders the spread between producers' and consumers' prices was minimized. Owing to the "Futures" markets the "hedging" system also permitted the export and import of Canadian wheat at a minimized risk and cost.

The competitive system ensured that Canadian Wheat would at all times find its saleable level in international trade, enabling Traders to plan ahead. A free market is essential to U.K. Millers

in order that they may meet competition of overseas exporters of flour.

- (b) The policy which the Wheat Pools adopted placed them in financial difficulties as holders of "un-hedged" wheat. They adopted a dictatorial attitude towards the Grain Trade, forgetting that such action might, and in fact did, alienate sympathy and customers.

The policy of retaining un-sold and "un-hedged" wheat in store proved disastrous. The accumulations depressed the world's markets as the Canadian price was not competitive, causing Millers to reduce their purchases of Canadian wheat to a minimum.

The Pool's belief that the World could not do without Canadian wheat proved incorrect, nor did repeated demands for the closing of the Winnipeg "Futures" Market tend to improve the sale of Canadian wheat.

Their policy ran counter to commercial practice. It is well known that Traders must frequently revise their views with regard to prices and outlook, and that trade can be carried on successfully only on the footing of compromise and adjustment.

- (c) Almost without exception, Government interference has ultimately depressed prices in international trade. Supply and demand must, in the long run, defeat artificial methods.
- (d) The present Canadian Wheat Board has acted on Commercial lines in friendly collaboration with the Trade. They have succeeded in selling the last Board's burdensome surplus which has overshadowed the markets for several years.

It is our view that the open and competitive system is the only sound method of marketing as is evidenced by the fact that Canada suffered severely through the attempted exploitation of European buyers.

Wheat, like water, follows the line of least resistance, finding its own level. Anything in the way of artificial control usually results in failure so far as international trade is concerned. Any action taken to prevent the consumer obtaining the supplies he requires drives him to seek his wants elsewhere.

Question 3. The salient features of the present situation affecting international trade in wheat and the prospective conditions likely to affect world demand and supply.

Answer: The fear of war and the restriction of Commercial Exchanges with Government controlled currencies causing wheat to be grown where it is uneconomic. High tariffs, quotas, subsidies, and obstructions to trade remain.

Question 4. Any views held regarding the cause of the decline in recent years of exports of Canadian grain, having particularly in mind

any controllable causes and measures which might be taken for their removal.

- Answer:* (a) That Canada's export policy failed to meet buyers' views forcing them to go elsewhere and rely on homegrown crops.
- (b) The attempted exploitation of buyers by the Canadian Pool did Canada a disservice.
- (c) The grading of Canadian wheat has not been regular and satisfactory in recent years. Export Official Standards are received in this country not truly representative of the actual shipments. When compared with samples of deliveries, Standards are sometimes so low that importers receiving inferior wheat have very little chance of compensation. The variety of wheat included in the modern Canadian grades is also a matter of serious complaint, as both the standards and the deliveries lack uniformity.

Question 5. Any future conditions which can be visualized as likely to affect the volume of exports of Canadian grain.

Answer: Canada, like other countries, having set up barriers against imports, cannot hope for a high volume of farm exports, it being impracticable for the buyers to pay with gold in lieu of goods.

In no circumstances do we recommend that the "Open Market or Competitive System in Canada" should not be maintained. If the Government of Canada put some low basis price upon wheat—that is a domestic matter. Any attempt to obtain something in the nature of a subsidy, open or hidden, from Importing Countries, is bound to fail.

Question 6. Any views or suggestions regarding the grading, storing or handling of Canadian grain which might improve its marketability and meet the requirements of customers in the British Isles.

Answer: Comments have been made regarding grading and freedom of marketing, which in our opinion would, if adopted, tend to increase the marketability of Canadian wheat.

SPECULATION IN GRAIN MARKETS IN THE UNITED KINGDOM

In the above questionnaire the question of speculation is raised. It was further dealt with at the conference. The two markets concerned were London and Liverpool. The London futures market, by the way, was opened only about 5 years ago and deals only in Canadian wheat. The following extract from the record will describe this London market, a subject of special interest to Canadians, and will indicate the position of speculation there and at Liverpool:

"Q. You are presenting the point of view that the futures market assists in maintaining a steady flow of grain to the United Kingdom. Could anybody amplify that a little?

A. Yes, as far as London is concerned, I will amplify with pleasure. We have here in London a futures market which is based entirely on Manitoba wheats. The basis of it is No. 3 Manitoba wheat with a delivery of No. 2 at 1s. more and No. 1 Manitoba at 2s. more.

Q. Is that per quarter?

A. Yes, and I think No. 4 at 2s. discount. I am not quite sure about that because it has never been delivered. There is no doubt that since the introduction of that market, from the point of view of the Canadian shipper, we can sell ahead there in very material quantities and we can either unspread it and sell the wheat to Antwerp or anywhere and backspread it, and in that way we set in motion quite a considerable volume of Canadian wheat. . . . There is no doubt that since the introduction of it the movement of Canadian wheat has been helped very materially. We sell very freely there in distant positions. . . . It has developed materially within the last two years. May I amplify that a little? There used to be in London quite a big forward market, particularly in new crop Canadian wheat for October and November shipment which would start about May and June on a c.i.f. basis.

Q. That meant simply selling cash wheat for future delivery?

A. Yes, there was no question of paying margins daily or anything like that, and the futures market has taken the place of that forward market. It lessens the risks. The differences are paid every day. . . .

Q. Would there be any advantage in turning back to the old c.i.f. practice and constituting what you call a forward market instead of a futures market?

A. It could not work at all.

Q. It did work for a time, did it not?

A. It did work years ago, because there was a great deal of speculation in c.i.f. wheat. The same thing works to-day on the basis of the futures market and the differences are paid every day. That is the difference.

Q. You speak of there being speculation in c.i.f. wheat. Is the London market a highly speculative one in which the public other than the dealer participates to any extent?

A. To a certain extent, yes.

Q. Is it becoming more so?

A. I would not think so.

Q. The suggestion is made that one of the reasons for the abolition of the Winnipeg market is that it is highly speculative.

Somebody else says, "Liverpool and London are speculative, too," and they say, "No, Liverpool and London are not speculative, at least to the degree that Winnipeg is." That is why I am asking this question as to whether London can be regarded as speculative?

A. I would say, quite frankly, that there is a degree of speculation in all futures markets.

Q. The argument that is made for the futures market is that it gives an opportunity for the general public to come in and carry part of the risk, but I wondered whether that had developed here or whether the London market was strictly participating in legitimate trade?

A. The futures market to a minor extent is used by outsiders, but it is not a big extent. Only to a minor extent.

Q. The hotel porters and blacksmiths do not come in?

A. Most definitely in the negative.

Q. Who carries the hedge; it is the man to whom you sell?

A. All sorts of persons. A miller in a distant position will buy; a London merchant will buy, and others spread one market with other markets.

Q. I was trying to get the type of man?

A. It was very difficult to say. If one market is higher or lower than another you will always find people willing to spread London with Liverpool, London with Winnipeg, London with Chicago, or London Manitobas with Australian, or anything.

Q. People who are in the grain trade?

A. Mostly."

(As to Liverpool, the following statement was made):

"The speculator is one of the most valuable assets in the Grain trade. As far as Liverpool is concerned, the speculator is carrying, I do not say all the hedges (nothing like all the hedges) because the millers are also buying, but he carries a great deal of it and we could not, as a trade, carry on the business to the extent we do and bring in wheat in the large quantities we do in this country over and above the actual present requirements if we had not got the speculator. We want him.

Q. Who is the speculator in Liverpool?

A. The general public. I do not say it is office boys, and that kind of thing.

Q. A more or less informed public, is it?

A. Yes.

Q. Do you think the speculation by the general public is increasing or the interest of the general public in the Liverpool market is increasing? We got that impression from some other individuals.

A. I should think so generally. It depends on the times and circumstances; at times the trade dwindles and the speculation is not so much. Then big wheat importers find it more difficult to do their hedging and often have to go elsewhere, but I should think generally on the whole, speculation probably is increasing a little.

Q. And you welcome it?

A. We welcome it." (Evidence pp. 10097-10102.)

I think that all the information obtained on this question of grain speculation in the United Kingdom may be summarized by saying that there is a very considerable body of this speculation, especially in Liverpool where it is apparently looked upon as one of the props of the market. But, it is not resorted to to the same extent as in Canada by the general public, that is by a large number of individuals of all trades and professions each dealing in small quantities. Speculation of this kind in the United Kingdom appears to be in fewer hands with relatively large commitments involved in individual cases. What I may call "the invitation to the public" is not held out in Britain the way it is in Canada: that is, one does not find there, as here, in the cities and towns, a large number of brokers' offices with board rooms open to the public where almost anyone may go in and "take a flier" upon depositing the required cash margin. And, of course, the facilities for speculation offered, especially to farmers, by our country elevator offices are entirely absent there. Speculation in wheat in Britain is a much more cumbersome and involved process. But there is enough of it to make it an important factor in the marketing mechanism.

As to the process which a member of the public must go through in seeking to speculate in Liverpool, I think it worth while to set out the evidence on the particular subject which was given at another conference:

"Q. We asked you with regard to the participation of speculators in the Liverpool Futures Market, and by "speculators," for the purposes of this question we have in mind the general public who are not interested in the trade at all. We have seen studies which have been made of the situation on the Chicago Market and attempts to segregate the occupational groups who operate in the Market, and one finds that everybody from lawyers to bootblacks and stenographers participate in the Market. We wanted to know whether you could tell us anything about the extent of the participation of the general public on the Liverpool Market in order to find out whether it was as extensive as Winnipeg is thought to be and Chicago is known to be?

A. You asked whether bootblacks and somebody else participated. I do not think that is done here to any extent.

Q. To follow that up, are there the same opportunities here for an individual who wants to "take a flyer" in wheat as there are in Canada? In Canada, I understand, one can go into many

stockbrokers' offices and give an order for so many thousand bushels of wheat. Here, are those facilities as readily available?

A. I should not think so. As a rule a member of the Liverpool Corn Trade Association, before he will take the name of anybody who wants to speculate, will make inquiries to see if he is of sound financial position.

Q. That is to say, he will not just simply take a deposit on margin—10 cents a bushel, or something like that?

A. No.

Q. That is not good enough?

A. No.

Q. Question No. 2: If I, an individual, did want to buy the minimum number of loads of wheat to whom would I have to go?

A. If you wanted to buy, you could go to any member of the Association.

Q. It would have to be some member of the Association?

A. Yes; or, if you were outside, one of the Subscriber-Brokers.

Q. Are there many of those Subscriber-Brokers?

A. No; they are limited: between 60 and 70.

Q. All over the British Isles?

A. All over the world. You must remember the unit of the Association is not a small unit that you can trade in. You cannot trade in under 4,800 centals (8,000 bushels), and the margin calls are made daily.

Q. I think our margin calls are made daily. Probably here the units are larger than they are over there. You do not simply take margin as an index of ability to trade?

A. No.

Q. Take Liverpool as an example. Supposing I were an individual who wanted to purchase a minimum parcel, I would have to telephone a member?

A. Either members of the Association or a Subscriber-Broker.

Q. Are those Subscriber-Brokers all over the City?

A. There are 60 or 70 of them, and they are not all in Liverpool. They are spread out all over the world.

Q. How many would be in the British Isles—half of them?

A. Quite that; probably more. There is quite a big group in Liverpool alone." (Evidence pp. 10316-10318.)

At this last conference, as on every other proper occasion, the question of closing the Winnipeg futures market and instituting a Government Wheat Board to handle the whole of the Canadian crop was discussed at length, these two measures being considered as going together, the futures market disappearing and the Board stepping in. The view was expressed unanimously that the closing of the Winnipeg market would injure the Canadian trade, would remove the hedging of Canadian wheat to Liverpool and thereby depress its price. Also it was asserted that a Govern-

ment Selling Board would not meet with favour and would probably be unable to function satisfactorily in what is a competitive market. Examples were given by millers and others of certain transactions in Canadian grain between merchants and millers, now possible with the Winnipeg market open for hedging which would become impossible if it were closed, for which a Board could not provide, and which would mean so much less trading.

AUSTRALIAN AND CANADIAN WHEAT CONTRASTED

Questioned as to how Australian wheat managed to get along without the existence of a futures market in Australia, the answer was:

“It is not quite the same as the Canadian crop. For one thing it is nothing like as big, and, for another thing, there is a very limited market for Australian wheat. It is hedged here.”

From the selling standpoint there is this further radical difference between Australian and Canadian wheats. Australian wheat is merely used as a “filler” and can be marketed and sold rapidly. It comes on the market about 6 to 8 months after the harvesting of British domestic and continental wheats which likewise are “fillers.” On the other hand, the milling properties of Canadian wheat are such, as was said in the article from *Wheat Studies* referred to in another chapter,

“as require, for their most effective utilization, that it be fed into consumption more or less uniformly throughout the year.”

This uniform marketing is brought about by the use of futures trading by importers, which enables them to secure their requirements in advance.

CANADIAN GRAIN AND UNITED STATES PORTS

Representations were made by the Liverpool Corn Trade Association regarding the difficulties in obtaining the British preferential tariff on Canadian wheat shipped to the United Kingdom via United States ports. On looking into the question, I find that it has been before the Government for some time and is receiving attention.

THE AUSTRALIAN POOLS

In London we had the advantage of a conference with representatives of the (Australian) Overseas Farmers' Co-operative Federation Ltd., and of the Wheat Pool of the State of Western Australia. It is the function of the Federation to find markets for commodities sent to the United Kingdom by co-operative associations in Australia. Among these commodities is the Pool wheat. The method of contracting between the pool and the producer is quite different from that followed by our Canadian Pools. I set it out here from the record, as it was given. It is evidence which may be of practical use, and it would be hard to summarize satisfactorily:

“Q. What is your contract between your Pools, the Members of your Pools, and the Pool itself as to the delivery of the wheat? That is to say, must a Pool member deliver all his wheat to the Pool?

A. No; we have found that that is not quite practicable, and we have fixed the limit usually about 50 per cent of his wheat. We actually do not fix a contract at all. We ask him to give us a written promise; we accept those promises. We find that growers sometimes break those promises, and we enquire into the reasons; if he has a good reason we take no notice; if, on the other hand, he has broken his promise just simply to take some temporary advantage, we put him on the black list and refuse to accept a promise in the future from him. There are a number of men from whom we refuse to accept promises.

Q. Do you find any advantage in such promises?

A. Yes, because it gives you some guide. Although the farmers are not definitely tied, they usually feel a moral obligation which they live up to. We would prefer to have them under a moral obligation than one which compels them to do something they do not want to do, and which may be, therefore, more irksome to them; we think a moral suasion is better than a legal one.

Q. When you say a promise provides you with a guide, I take it you mean that it gives to you, as managing the Pool, some idea of the amount of wheat which you probably would have to handle and, therefore, you can make forward sales, or make your arrangements for disposing of the wheat to some better advantage?

A. That is so. Firstly, the procuring of the money; we want to know how much we would have to arrange for, and with us the chartering of vessels is very important indeed, because we do not have parcel shipments as you have; it is practically all full cargoes, and we have to charter well ahead to get ships into Australian waters.

Q. What is the advantage to a man pooling at all? He does not have to sign his contract or make his promise right up to the time that he drives up with his wheat?

A. No; we fix a date a month before harvest opens that these promises must be in. Then we fix a date by which deliveries must be in. We have just put in bulk storage in Western Australia; they get a warrant for that, and if we were not to fix a date, they would hang on to the last minute and just see which way the cat jumped, and perhaps not give us the wheat at all.

Q. Does it mean that you do not accept wheat from a man on the pooling basis unless he has made the promise a month before?

A. That is so.

Q. That is to say, I cannot decide just a day or two before I deliver my wheat to pool it?

A. No. It is a month before the season opens, usually about the middle of October.

Q. In that contract, or in that promise, shall I say, is there any obligation at all upon the part of the Pool?

A. Just the obligation to carry out the terms of the warrant that we give the grower, and on the warrants are printed the conditions of the Pool. That has now been revised, because the Government has passed an Act of Parliament which sets these out, and, therefore, we just simply refer to the Act covering it.

Q. We will get the Act and the contract?

A. We can get the Act at Australia House, I think.

Q. Could you get a copy of the contract?

A. It is practically scheduled in the Act now; we can get one in town.

The COMMISSIONER: What is the year of the Act?

A. The Act would be about 1933.

Q. Is it an Act of the Commonwealth?

A. No; of the State.

Q. Which State is it?

A. Western Australia. May I say here that each State in Australia is entirely separate in all its dealings with wheat? We are not like you where the whole wheat flows through one channel. Each State's wheat is exported from that State only, and is sold through its own Pool."

It must be noted that the Federation sells not only Pool wheat, but also other Australian wheat, not pooled.

In answer to questions respecting the proposed closing of the Winnipeg Futures Market, the following was said:

"Q. From the point of view of Australia, have you anything to say with regard to the abolition of the Winnipeg Futures Market? Would it have a good effect or a bad effect, so far as you are concerned? Perhaps what might have a good effect might have a bad effect on us, or the reverse?

A. If we could use the Winnipeg Wheat Market again, we would like to do so, because we do not like to trade in a narrow market such as Liverpool for all our futures transactions. While I realize that there is a great deal of objection to speculation on these futures markets, that very speculation does broaden the market, so that if people like ourselves happen to have a heavy day's transactions to cover, it is not nearly as serious as if that market is kept very limited, and, while it may be objectionable to people who do not like the gambling on the market, I must say that from a trader's point of view, it does help us.

Q. Does that mean that there is more speculation or more speculative interest to carry the hedge in the Winnipeg Market than in Liverpool?

A. Yes, I think so. . . .

Q. Then what about the Pool itself? Does it find it has to make use of the futures market also?

A. The Pool does, occasionally. When it has got into a position when it thinks wheat should be disposed of, but cannot sell it as real wheat, then sometimes it sells futures instead and then closes the hedge when the wheat could be sold."

The members of the National Federation of Corn Trade Associations told us that they got along very well with the Australian Pools because, they said, "They are voluntary pools and work with the trade and not against it."

SELLING IN GREAT BRITAIN

Before leaving this subject of the operation of the grain trade in the United Kingdom, there is one other point to which I think it well to refer. It will be remembered that one of the first things Mr. McFarland did upon assuming the management of the Pool's Central Selling Agency in 1930 was to close the Agency's overseas offices and to adopt the policy of selling through the ordinary channels of trade. I am satisfied that this was the best policy to adopt, at least in the United Kingdom. Akin to the question thus raised is this other, which was discussed before me on several occasions: in selling Canadian wheat is it advantageous to employ agents who sell no other wheat, such as Argentinian, Australian, etc., but only Canadian: I have formed the opinion, from all I have heard, that it is not advantageous. No miller buys Canadian wheat exclusively, and I think he prefers to deal with a merchant who can furnish him the different kinds he wants and can afford him the opportunity of comparing prices, etc. A merchant who has only one kind of wheat to offer to a miller is, I think, at a disadvantage. And this applies likewise to sellers of Canadian flour.

In this chapter I have devoted a great deal of time and detail to the British market, its capacity, its position, its manner of carrying on trade. I have thought it well to do so because this market is, and very probably will remain, by far our best customer. I have before me figures, available now for the first time, showing the quantities of our wheat received into the various countries of Europe. They show that, in the crop year 1936-37 the United Kingdom alone took nearly 82 million bushels of our wheat, while the rest of Europe, including the Irish Free State, took approximately 54 million bushels. Belgium is our second best customer with 16 million bushels. As these figures are useful for various purposes besides that of demonstrating the present superiority, in respect of our wheat, of the British market, I set them out here in full, and alongside I

give the corresponding figures of Argentine wheat exports. As the Argentine is now our chief competitor, this comparison will be interesting, as well as instructive.

CANADIAN AND ARGENTINE WHEAT EXPORTS TO THE UNITED KINGDOM AND CONTINENT, BY COUNTRIES OF DESTINATION

Country	Canada	Argentina
	(Board of Grain Commissioners) Aug. 1936- July 1937	(National Grain and Elevator Board) Dec. 1936- Nov. 1937
	(Bushels)	(Bushels)
United Kingdom.....	81,901,064	28,740,000
Irish Free State.....	4,507,684	232,000
Austria.....	22,931	291,000
Belgium.....	15,994,766	15,707,000
Denmark.....	4,491,399	765,000
Finland.....	1,117,132	693,000
France.....	6,255,301	1,478,000
Germany.....	3,764,610	6,047,000
Greece.....	2,137,226	7,727,000
Holland.....	6,900,035	16,331,000
Stored in Holland.....	95,108	-
Italy.....	4,887,132	29,746,000
Latvia.....	-	615,000
Malta.....	274,467	-
Norway.....	3,806,611	1,998,000
Portugal.....	-	4,000
Spain.....	805,692	396,000
Sweden.....	923,402	411,000
Switzerland.....	2,355,092	37,000

In so far as the countries of Continental Europe are concerned, the above table shows their respective positions as consumers of Canadian wheat. On the Continent we had the benefit of interviewing millers, merchants, brokers, and also the officers of several of the large international firms which trade in Canadian wheat. The millers use the futures market very little. The merchants who deal in Canadian wheat make use of the Winnipeg futures, and so do, of course, the large international grain traders. One merchant in Belgium told us, however, that he did not hedge his purchases. There is also a futures market at Rotterdam which is used by Dutch traders, but most purchases of wheat in Canada are hedged in Winnipeg. Numerous complaints were made of the action of the Pools in trying to secure prices which were too high. These complaints had reference to the situation in 1929 when the Winnipeg market was much out of line with European markets, and the disposition was to blame the Pools for this. I think that on some of these occasions these complaints had their origin in some of the statements made at that time by Pool officials and organs and mentioned elsewhere in this report. The reference to these was not specific but the allusion was sometimes sufficiently clear. On other occasions remarks of an unfavourable kind made in respect to the Pools were really intended to refer to the years of stabilization measures.

In any event there was everywhere a strong feeling against any attempt to hold Canadian wheat prices above ordinary world levels, or to withhold supplies from the market. Since these attempts were attributed to organized selling and government intervention, there still remains on the Continent a distrust of government boards, especially, of course, of a monopoly board.

Regarding the actions of the Canadian Wheat Board in 1935-36, some complaint was made, on two occasions, that the selling policy of the Board caused losses to European speculators, who had invested money in grain futures when the Argentine government fixed a high price on the country's wheat in December, 1935. These speculators lost money, or did not make any, because world prices did not rise as they had expected. There was a disposition to blame this disappointment on our Board's selling policy. We did not hear any complaint of this nature in the United Kingdom.

On the whole, though, satisfaction was expressed on the Continent with the freer selling policy of the Canadian Wheat Board in 1935-36.

CHAPTER XII

FUTURE MARKETING POLICY

In the concluding portion of Chapter IX, I noted those causes of the decrease in our wheat exports in recent years which have had their origin in Canada, and I expressed the opinion that, from now on, with fair crops, we should receive our good share of overseas markets. It is possible, as I have said, that this share may be increased, or perhaps new markets opened, by the making of trade agreements with other countries. But, in my opinion, nothing is more important at present than the adoption by this country of a selling policy which will dispel ill-will abroad and give the highest possible measure of satisfaction to our customers in their day to day dealings with us. We must meet competition fairly, but competently, and the lessons of the past which I have reviewed show that satisfaction to customers and abstention from actions which breed suspicion and alarm are important elements of successful marketing, because they help to maintain and to extend markets. At the same time the individual producer must feel that markets are not being maintained and extended at too great a sacrifice to his personal interests as reflected in the prices he receives. He must be satisfied that the service he is getting assures him the highest return reasonably obtainable for his product.

In proceeding now to state the opinion I have formed regarding a marketing method for Canadian wheat, I shall first deal with the problem on the basis of normal conditions existing at home and abroad, that is conditions which do not call for action of an unusual nature involving a departure, more or less temporary, from settled and approved business practices. Our policy should then be the continuation of the futures trading market at Winnipeg and the encouragement of the building up of producers' co-operative marketing societies, organized and conducted in a manner approaching, in so far as practicable, the organization and business methods of the Australian Pools to which reference has been made and which have been in successful operation for many years. I have in mind Pools organized on a flexible, voluntary basis, not necessarily of great size, selling in line with market conditions, and operating overseas "with the trade and not against it" as was said in reference to the Australian Pools. Such Pools should, in my opinion, make use of the futures market, not for speculation, as by long buying, but for hedging purposes such as the securing of a price, "when prices look attractive" as was said in 1924 by the Manager of the Alberta Pool; or again "to accommodate the buyer" as was also said on that occasion, care being taken in such last case to avoid speculation.

To repeat here what I said in an earlier chapter, the test of a trading system, from my point of view, must be the superior advantage which it

is found to have, over other systems, for the Canadian wheat grower. This advantage will be evidenced by the capacity of the system to obtain a good price for our wheat and to increase the volume of our sales. In measuring the capacity of a system to attain these objects, regard must be had to two things: its fair and efficient operation in Canada, and its effect upon our overseas markets. Having regard to these considerations, I am convinced, from all the knowledge I have been able to acquire on the subject, that the futures trading system, despite its imperfections, is the one best qualified to look after the interests of our producers, at home and abroad. 7*

I have mentioned the "imperfections" of the futures trading system, and I know that, in the eyes of many, the greatest of these is its dependence upon the speculator. And the fact must be faced that this dependence, while not absolute, is substantial not only in Winnipeg but in Liverpool, as the evidence shows. It has well been said that there are only three classes of buyers in the wheat market: (1) those who have immediate need of the wheat, (2) hedgers who buy to insure their transactions, and (3) speculators who buy and hold in the hope of making profits but also at the risk of making losses. When buyers of this last class are absent, or are present only in small numbers, the market becomes weak and prices fall. This was the situation which existed in 1931 when the government was urged to send somebody into the market to take the speculator's place, and the situation was met by the institution of stabilization measures.

Many of our producers object to speculation in grain markets on moral and social grounds, and this sentiment must not be made light of, but must be treated with all respect; just as in the case of others who may receive with disfavour the suggestions I intend to make later on respecting the production of malt barley, and may refuse on principle to grow it, because malt barley is used in the manufacture of alcoholic liquor. In the one case as in the other, all the conscientious objector can do is to refrain from the exercise of the practice which he deprecates because speculation in our wheat, like the growth of malt barley, is going on anyhow in many parts of the world. Speculation takes place in all futures markets, wherever situated, and Canadian wheat is one of the factors of this speculation. It cannot be doubted that the closing of the Winnipeg exchange would greatly increase the volume of futures trading in our wheat in other markets, and the volume of speculation along with it. It is true that the Winnipeg market has not always been a fully satisfactory one. It has sometimes been out-of-line through causes which I have examined and which should be avoided in the future. Nevertheless I cannot help but feel that its closing would have a depressing effect upon our marketing, and would merely help to build up other markets without any corresponding advantage to ourselves. This was the effect of the prohibition, in 1896, of futures trading in Berlin.

"In 1896 the Berlin Produce Exchange, which had been the leading Continental grain market, was virtually put out of business

by a popular agitation resulting in a law prohibiting futures trading. This undoubtedly assisted Liverpool to capture all the European hedging business which was not placed in Chicago." (Hooker, "The International Grain Trade," at page 9).

Speaking of this same incident, the Stamp Report says at page 66:

"The prohibition of business in options and futures (in Berlin) continued to paralyze business by making an effective insurance against loss extremely difficult, and at all events very expensive, because foreign markets, such as New York and Chicago, had to be resorted to." (The Produce Exchange and dealing in options were shortly afterwards reopened.)

Referring particularly to price fluctuations, which are much complained of, I am not at all convinced that these would be substantially lessened by a transfer to other markets of futures trading in our wheat. Fluctuations will take place in any case and the effect of futures trading appears to be to lessen them in their long term monthly or yearly aspect, which is an advantage, although it tends to increase them in their hourly and daily aspect, where they are sometimes referred to as "oscillations." These oscillations are annoying but are at the same time a necessary accompaniment to the advantageous working of the system in relation to long term fluctuations. I have discussed this subject elsewhere. In any event, these fluctuations, in both aspects, would continue in other markets and would react on our marketing.

But if the closing of the Winnipeg Grain Exchange did nothing else, it would surely remove trading and speculation in our wheat to places altogether beyond our jurisdiction, and matters of complaint, now existing and which might continue, or new matters of complaint which might well arise, would be open to no remedy which we ourselves could apply. I think it is advantageous, if there is bound to be futures trading and consequently speculation in our grain that these be kept, as far as possible, within our own control.

If this is done, and the Winnipeg Grain Exchange is allowed to remain active, the producer who is antagonistic to speculation may still do his share towards reducing it by refraining from it himself, or by joining one of the Pools I have suggested and which should all be prohibited by their constitution from speculating.

PROPOSED COMPULSORY WHEAT BOARD

The demand made before me for the abolition of futures trading in Canada was always accompanied by a further demand for the creation by the Government of a permanent National Wheat Board, whose duty it would be to take over the whole of our wheat crop each year and to market it both at home and abroad. According to this proposal, the Board would act as did the Board of 1919-20, making an initial payment to the

producer and allowing him to participate in whatever profits were realized each year. It was freely admitted that to close the Winnipeg Grain Exchange without setting up such a Board would be to create a most disadvantageous situation for our producers.

It may be well to note again here that the 1919-20 Board operated for only one year, at a time when futures trading was suspended in the United Kingdom, and when all buying there and on the Continent was done through Government Boards or Commissions. And moreover, that Board did not have on its hands the problem of selling in shrunken markets with keen competition and the possibility of excess supplies.

This proposal of a compulsory Government Board has preoccupied me more than anything else since the beginning of this inquiry. It was asked for by nearly all the farmers' organizations, and by a great many of the individual farmers, who appeared before me. It is a naturally attractive proposal at first blush, particularly after the many hard years our people have gone through. The idea of government support to marketing undoubtedly produces a sense of relief and security, and insufficient consideration is often given to the effect of such a policy on overseas importers. On the other hand, however, the feeling on the subject is by no means unanimous. Many farmers prefer to do their own marketing, and resent a compulsory taking over of their crop by a government Board or any other organization. Very few, I believe (if any), object to the operation of the present non-compulsory Board created under the Act of 1935.

Whatever attractions a compulsory government Board may present at first sight, its practicability, in my opinion, will not stand analysis, either from the point of view of overseas markets or that of domestic conditions.

I have no doubt that the creation by Canada of such a compulsory Board, that is, a complete selling monopoly of Canadian wheat, would be regarded abroad as a further restriction upon the freedom of trade and commerce, coming at a time when our efforts should rather be directed toward the removal of such restrictions. Within the ambit of the grain trade itself, that is, in the eyes of millers, merchants, etc., it would of course be considered as an attempt or a design to revert, in more intensified form, to the situation which existed, and which came in for unanimous criticism overseas, in the last years of Pool marketing and under stabilization. It would meet, I am sure, with antagonism, at least passive, and perhaps even active in some places. There can be no doubt that our overseas customers dislike and distrust monopoly, in itself, and also because there is no saying where successful monopoly might lead, and they will certainly not contribute to making a success of it. We would consequently be going into diminished markets, among many free competitors, under a great handicap; because goodwill is in itself a considerable aid in business and its importance in our grain trade is greater now than ever before. Besides, the technical position of such a Board would be most delicate. The great volume of its holdings would add to its difficulties, because it would be under constant observation, and its actions in times of uncer-

tainty would have a magnified effect upon the market. In regard to its difficulties, these have already been touched upon. Not the least of them is the fact that there could be no bargaining in Canadian wheat as there is now and as there would continue to be in respect of other wheats. There being only one seller, there could be only one price to all buyers, instead of a number of merchants and agents, all dealing in our wheat, but on a competitive basis by reason of their different positions, as was exemplified in the evidence given in London and quoted in Chapter IV.

The situation at home would also be disadvantageous to the producer, in my opinion. This opinion is held by many whose experience qualifies them to express well-considered views. Mr. John I. McFarland, who gave so much of his time and his ability to handling stabilization and who was the first Chief Commissioner of the Canadian Wheat Board, did not favour the closing of the Winnipeg Exchange, nor did Mr. J. R. Murray, who succeeded Mr. McFarland as Chief Commissioner. Mr. McFarland thought that our best policy for the future was to continue the futures market, under supervision, with the present Wheat Board in operation, but he was opposed to a compulsory Board except in case of emergency:

"Q. With regard to the future, Mr. McFarland, have you any suggestions which you would care to make for the information of the Commission?

A. Well, I wish I knew what suggestion would solve the future. I do not think anybody really knows definitely what would solve the future, but I still think the Wheat Board Act under which I operated for about three months, and that same act is now in effect, with a minimum price, is the best thing that I can think of, and coupled with that there should be some sort of further legislation such as they have in the United States under the Futures Administration Act to check into the operations of futures dealings. But I think there should be a minimum price and the market permitted to operate above that price in the hope that the world may be coming back to equilibrium, and it would continue to function for years to come. You can never tell." (Evidence, p. 7415.)

"Q. I ask that because proposals have been made here from time to time, as you know, that the Board, when constituted, should have control of all the wheat in the country. Do you suggest that?

A. No, I do not, unless an emergency arose such as we went through in 1932, 1933 and 1934, when there was such a great surplus not only in Canada but throughout the world, and then it might be necessary to call into operation those clauses which were dormant in the present Act.

Q. In other words, would not the Board really be an emergent organization set up all the time, but only actually functioning in emergencies?

A. To be prepared, yes." (Evidence pp. 7421-22.)

Mr. Murray also thought that a compulsory Board would prove disadvantageous. He favoured supervised futures trading and pooling.

Any group of men endeavouring, with the best intentions in the world, to make a success of selling wheat would be exposed to a great deal of criticism and would find themselves in a most unenviable position in times of stress and uncertainty. Mr. Bredt's evidence shows the vulnerable position the officers of the Pools' Central Selling Agency were in in 1929-30 and how the apprehension of criticism by their constituents hampered their freedom of action. It is true that, under the proposal, there would be no Winnipeg futures market quotations to give producers a false idea of values, as was the case in 1929-30. But there would be other market quotations almost if not altogether as accessible under present conditions of news distribution. Moreover it must be remembered, when this distinction is set up, that Pool officials and organs, in their public statements made at the time, did not claim that Winnipeg prices were too high, but, on the contrary, honestly believed them to be justified, and some actually thought that the Pools themselves were making them. In any event there is always that post-factum wisdom and knowledge which critics are ready to make use of.

Any restraint or exposure to criticism which the officers of the Pools may have laboured under in their time would be much more liable to be found in the case of members of a compulsory Government Board. The Pool officials were responsible only to men who had joined the organization voluntarily, who had taken part in the appointment of the officials, and who believed in the system. But the members of a Board would be answerable, not only to producers who believe in a Board, but to the great number who do not believe in it, who wish to be left to do their own business, and who protest against what they consider to be high-handed government interference. Some of these producers gave evidence before me.

I must say also, that, having in view the experience of the past, I am afraid that a Board set up as a permanent institution, operating under all conditions, would suffer more and more, as time went on, from the atmosphere of political controversy that would surround it. I would prefer not to have to introduce this subject, but the evidence upon it is before me and the producer has the right to know about it and to give it his consideration when making up his mind as to where his interest lies. With their own experience behind them both Mr. McFarland and Mr. Murray had something to say on this subject which they considered of first importance.

Mr. McFarland said in his brief, Ex. 360 (I quote from the printed copy furnished by Mr. McFarland at page 27) :

"HARMFUL INTRUSION OF POLITICS

In 1930 our country was facing a crisis, and it never occurred to me that politics would be a disturbing factor. Had I known

such a situation would develop I would not have undertaken the job, for I am not a politician and have never had political aspirations. However, I do wish to acknowledge the fact that I received from all political parties a remarkable measure of tolerance and support up to 1934-35, or just prior to the time when the next federal election became an interesting subject. As a result of this intrusion of politics the problem was made increasingly difficult and complex. Continuous and widespread criticisms appeared in newspapers and periodicals, and not only created suspicion and misapprehension, among the people of Canada, but also tended to destroy confidence in importing countries, as well as in other exporting countries."

The following excerpt from Mr. Murray's evidence is to the same effect:

"The criticism which has been directed against our operations illustrates what will always be one of the greatest difficulties confronting any government board, namely, satisfying the producer and parliament. Wheat is a commodity subject to the play of constantly changing conditions. In selling wheat the very nature of the problem—when, how much, and at what price to sell—is such that there must always be differences of opinion as to the best course to follow. Any board has to reach decisions and act in the light of facts and possibility as they see them and honest criticism, no matter how severe, need not be a cause of concern to anyone. There is another class of criticism. Some individuals for reasons best known to themselves, make their contribution to our wheat problem in the form of speeches or statements containing what can only be described as false statements. As people will listen to them and believe them, ignoring them simply assists them in killing the operation of the system they profess to uphold. It may be important to assess the probable effect of continued criticism on any future wheat board in their handling of the particular marketing problems that they will have to deal with from time to time." (Evidence pp. 8934-35.)

It is perhaps impossible to exclude any government appointed body from public criticism; but the fact that the members of such a body will sometimes believe and feel that the criticism to which they are subjected is unfair, and of a nature to mislead those whom they are trying to serve, is something that will surely militate against the continued efficient performance of their duties. All this is bad for the producer. His interests are best served when politics are dissociated from his business.

For the foregoing reasons, founded upon both overseas and domestic conditions, I cannot recommend the compulsory marketing of all our wheat by a government Board, at least so long as there is free, open marketing in the United Kingdom with futures trading carried on in Liverpool,

London, etc. If the situation should change by reason of war or any other great emergency the government would, of course, take any measures that might then appear to it advisable.

GOVERNMENT ASSISTANCE

In most of the representations made to me for the creation of a Wheat Board the underlying principle seemed to be that of a government guaranteed minimum price for wheat. Conditions may well recur where the government will feel in duty bound to assist wheat growers, by protecting those who have a crop against a disastrous fall in prices, or by providing in whole or in part for the subsistence of those who have no crop or an insufficient one. These two cases of need may occur at the same time or at separate times. In either case, there is no necessity of setting up a compulsory marketing Board to deal with the situation.

SUGGESTIONS

I am therefore of the opinion that under what may be called normal conditions—open markets in the United Kingdom, a fair relationship between world supply and import demand, and no danger clouds on the immediate horizon—the Government should remain out of the grain trade, and our wheat should be marketed by means of the futures market system (under proper supervision), and encouragement given to the creation of co-operative marketing associations, or Pools. The Government's activities should, I think, be confined, under these conditions, to such helpful action as I have already indicated and such as I shall refer to presently: trade agreements, assistance to commercial and economic research, to the gathering of information, to promotional services, etc.

The question may well be asked, "why should the Government give any special assistance to wheat marketing?" It has abundantly been shown in this report that in the past no commodity has contributed more than wheat to the wealth and the export trade of the country. The settlement of Canada's prairie regions was from 1870 onwards a fixed principle of Canadian policy. It will be found in an Order in Council of Sir John A. Macdonald's Government of May 30, 1884, and was formally adopted and reiterated by Sir Wilfrid Laurier on February 21, 1905. Through all the years and down to recent times great efforts were made to induce the flow of population to those territories. In the last years of the World War, when the world was said to be facing the prospect of famine, propaganda was conducted under government auspices urging our farmers into the greatest possible production of wheat. These lands were again selected for soldiers' settlement after the war.

And within the area comprised in this policy of settlement and production, we have that great district which has become known as the drought area, large portions of which are fitted to produce many million bushels

of the best wheat in the world, and nothing else in large quantities. The area I now refer to produces in normal years about 100 million bushels (and has in some years produced a much greater quantity) of this distinctive high-protein wheat which has given Canadian wheat its splendid reputation. Its only alternative uses are a reversion to grazing and the production of some rye and oats. But as long as the export trade in wheat continues, and especially if world trade comes into a period of greater expansion, Canada will have, with suitable weather, a most valuable asset in the produce of this area.

SUPERVISION OF THE EXCHANGE

It appears to me that the best method of supervising futures trading on the Winnipeg Grain Exchange would be to place the responsibility upon the Board of Grain Commissioners. An independent organization would be more costly to maintain and would not have at its disposal the general information about the grain situation that is available to the Board. This would involve the appointment under the Board of an official, technically qualified, with such clerical assistance as would be found necessary, who would conduct the routine operations of watching and reporting upon the state of the market. He should have authority, under the Board, to secure full information from brokers or operators on the exchange, from clearing house officials, and from officers of the exchange itself. He should be constantly in touch with the market and with the Board. It would be his responsibility to report immediately to the latter any indications of a condition arising prejudicial to the public interest from short selling, buying futures, or from any other form of speculation.

The Board of Grain Commissioners on its part should have jurisdiction to inquire into any situation in the futures market either upon its own motion or upon complaint made to it and should have general powers of remedy, such as fixing a delivery price in the event of a "corner" or "squeeze," determining margins and fixing the limits, if found necessary, of open lines capable of being carried by an individual trader or corporation. It should also have the power to decide what facts of a general nature should be made available to the public as indicative of the state of the market.

The Board should have the right to make orders and regulations, not inconsistent with its expressed powers, superseding in case of conflict, the by-laws and rules of the Exchange. Breaches of the Act, orders, or regulations should be punishable, after hearing, by suspension of the offender from trading by the Board or by proceedings taken under the general penalty clauses of the Canada Grain Act (Sections 159 and 160).

CANADIAN WHEAT INSTITUTE

Some years ago a proposal came from the United Grain Growers Limited for the creation of a Canadian Wheat Institute. It was submitted

to me again on this inquiry. The original proposal called for the creation by charter under the Companies Act of a body having in view the following main objects:

- “(a) To promote the use of Canadian wheat and other grain grown in Canada, and the products thereof, throughout the world.
- (b) To collect, compile and publish information concerning conditions throughout the world affecting the marketing of grain grown in Canada for the purpose of making such information available to public and private bodies.”

The method of organization and membership and financial support of the corporation are set out in exhibits 689, 690 and 691 filed by the U.G.G., and I need not detail them here. The proposed work is valuable and I think it deserves approval. But I suggest for consideration, as an alternative method, the carrying on of the work by a government-appointed body, on the ground that the undertaking is one of national interest. In the submission made to me it was stated that:

“A substantial start along the lines proposed has now been made by the Canadian Wheat Board. It seems to this Company that the need for such work has been fully established. The essential problem is how it should be carried on and how financed.

“With the continuation of the Canadian Wheat Board as a permanent body, it is the recommendation of the Company that such work be carried on by the Board. It could be satisfactorily conducted by that body and duplication of machinery could be avoided.

“If the Wheat Board should at any time be discontinued, the Company believe that a Canadian Wheat Institute or similar body should be established.”

It is true that the Canadian Wheat Board has been carrying on work of the nature in question which should be continued. When I say that the present work should be continued, I mean of course, with such changes, additions, etc. as experience may show to be desirable, from time to time.

ATTENTION TO OVERSEAS COMPLAINTS

Any feeling that may exist in the United Kingdom that complaints affecting shipments of Canadian grain are not dealt with as expeditiously as possible, or that the method employed in deciding whether a complaint is justified does not give the complainant sufficient consideration, must be treated very seriously.

It would be well, I think, if Canada had a representative in London whose duty would be to investigate on the spot complaints arising out of grain shipments and to report direct to the Board of Grain Commissioners at Winnipeg. This officer should have sufficient technical knowledge of

grain to enable him to clear up minor misunderstandings about the standards of the various grades. Where dissatisfaction existed over the quality of a consignment he should procure representative samples from it for immediate dispatch to the Board. In instances where the complaint related to a shortage in weight he should conduct an investigation at the port of unload for transmission to the Board. Such an officer would undoubtedly remove many misconceptions, speed up the procedure for dealing with complaints and eliminate irritation caused by delay in their disposition.

I think that preferably this officer should be attached to the Board of Grain Commissioners but for general administrative convenience he should be in contact with Canadian Government agencies in London, Liverpool, Bristol, Glasgow, etc., and at nearby points on the continent.

In order to ensure the greatest degree of efficiency possible before taking up his duties the officer should spend several months under the direction of the Board familiarizing himself with practice in the inspection department, with the routine of weighing and delivery to vessels, and with such aspects of the work of the Grain Research Laboratory as are likely to prove useful to him. Further, in order to keep abreast of the Canadian grain situation, he should spend the month of August each year with the Board in Winnipeg in intimate touch with the inspection department and the Laboratory so that he would be fully acquainted with the characteristics of each crop as it became available for export shipment.

Apart from his primary duty of investigating complaints such an officer should be able to supply reliable information on the general trend of marketing conditions for Canadian grain in the United Kingdom and on the Continent.

At the present time when a sample of grain is received by the Board of Grain Commissioners in connection with an overseas complaint the practice is to send it to the Chief Grain Inspector for Canada who examines it and makes a full report to the Board upon its quality and its eligibility for the grade for which it was sold. The movement of the shipment in question is also traced back from the port of unload through the various transportation links to the place of shipment from a Canadian terminal. If the Board is of the opinion, in view of the Chief Inspector's report, that the quality of the shipment is below the export standard, in cases of direct consignment from a Canadian port, it recommends to the Government that an allowance be made to the overseas purchaser to compensate for the deficiency. A defect in this procedure is that in making a report on the quality of the sample submitted to him the Chief Grain Inspector is passing upon the work of his own officers. I think consideration should be given to the advisability of making a change in this practice by providing for the submission of the overseas sample in the first instance to the appeal tribunal at Winnipeg, which rules in disputes over the quality of grades of grain moving eastward entering into trade in Canada. Upon a finding as to the grade from this tribunal the sample could then be submitted to the

Chief Grain Inspector for full analysis, tracing of the shipment and his comments. With this change a British or foreign importer would have the assurance that he was receiving precisely the same treatment as the Canadian farmer or grain merchant. The principle involved in this suggestion is really that of equality of treatment.

If an officer were stationed in London to receive and investigate complaints it is likely that at the outset, at any rate, there would be more complaints made with increased compensation payments possible. But it must be remembered that the present slow and unsatisfactory method probably limits the number of complaints while provoking discontent. During the last five fiscal years there has been an average of 15 complaints yearly on the quality of shipments and an average of between 6 and 7 yearly on shortage in weights. During this period allowances recommended by the Board and paid totalled \$7,186.33, or on the average \$1,437.27 yearly. For the same period the value of the average annual Canadian export of grain to the United Kingdom and the Continent is estimated at \$140,546,590. In view of the magnitude of the trade and its importance to Canada every reasonable effort should be made to satisfy the importer. A considerable increase over the present amount paid by way of compensation to purchasers in the event of dissatisfaction would still be a very small percentage of the annual value of grain exports. In the physical handling, inspection and weighing of such a vast quantity of grain annually, it must be recognized that even with the greatest of care, there will be a margin of error. In addition to subjects of complaint requiring compensation, there are others of a more general kind that should receive attention. I have referred to some of these in Chapter VIII.

Finally, members or a member of the Board of Grain Commissioners should visit the United Kingdom and the Continent every two or three years not for the purpose of dealing with specific complaints but to meet associations and principals and to discuss with them any problems of a general nature requiring consideration. This would tend to solve major problems and to inform the Board upon desirable changes in legislation or policy.

By these methods I believe that whatever dissatisfaction there may be with the Canadian system of marketing grain on the basis of certificate final could be greatly reduced.

EX-EUROPEAN MARKETS

While there are a great number of countries outside Europe that import wheat, the quantities imported, with a few exceptions are quite small. Mr. Cairns lists 22 European wheat importing countries and 119 importers outside Europe. About 40 per cent of the world wheat and wheat flour imports have been taken by the United Kingdom in recent years, a similar percentage by Continental Europe and the remaining

20 per cent is scattered among the 119 ex-European importers mentioned above. Among these latter countries, the most important are in South America, Brazil (importing 30 or 35 million bushels), Bolivia and Peru (importing 5 to 6 million bushels), and are mainly supplied by Argentina. Japan, China and Manchuria were at one time important markets for Australian and Canadian wheat, but the trend of imports there has been definitely and swiftly downward until, in recent years, this market has been taking practically negligible amounts of wheat. Certain African and Asiatic territories also import small quantities, mainly from contiguous countries.

The only action I can suggest in relation to these countries is that which lies within the ordinary international activities of the Government of Canada through its agencies.

THE NEAR FUTURE

I return now to the marketing problem.

I have expressed my opinion upon the question of the method which should be pursued under normal conditions, and in the interest of the wheat producers, as well as in that of the country as a whole, the return of such conditions is eagerly hoped for. But upon the facts before me today, I must say that such return is not immediately in sight. I think that there are several factors in the present situation which cannot be ignored and which call for special action. For instance, I am disappointed in one important respect: world wheat exports for the year 1936-37 were 622 million bushels, but in this present year, 1937-38, they have fallen off considerably and are now estimated, by the Secretariat of the Wheat Advisory Committee not to exceed 520 million bushels. This estimate is confirmed by that of other competent observers. On the other hand, the United States 1938 crop promises to reach 900 million bushels, with a considerable carry-over likely to be added to it. The Secretariat above referred to estimates that the area sown for harvest in 1938 in European countries is substantially larger than last year, and, that, with normal weather until harvest time, the world yield in 1938 will be considerably higher than in any year since 1933. I note that in Winnipeg the May future closed to-day (April 30) at \$1.20 $\frac{1}{4}$ b. and the October future at 88 $\frac{7}{8}$ cents. In another aspect of the situation there are certain world factors of uncertainty which cannot be ignored.

For all these reasons (and notwithstanding the adverse considerations to which I have referred in relation to government Boards) I do not feel that I can suggest the immediate dissolution of the Canadian Wheat Board. There is a strong possibility that conditions may develop which will require a measure of assistance in the marketing of the coming crop, and I do not know, of course, how long these conditions may continue after the final chapter of this report is written. In the meantime I can think of nothing better to suggest than that the Board be maintained to meet any situation which may arise.

While the Board is in existence it can continue, and, if deemed advisable, extend the work recommended for the proposed Canadian Wheat Institute.

The paragraphs of the Order in Council enumerated respectively 3 and 4 give rise to certain questions of a special and temporary character somewhat outside the general scope of the inquiry. For this reason, and so as not to break the continuity of this report, I have dealt with these questions in two addenda, A and B, which will be found at the beginning of the Appendix.

ACKNOWLEDGMENTS

This inquiry has been a long and involved one, and necessarily so, because of the "gravity of the problem" and "the necessity to make a comprehensive survey of the situation" emphasized in the resolution of the Committee of the House of Commons referred to at the beginning of this report. It was therefore all the more necessary that I should have the benefit, during the course of the inquiry, of competent and willing collaborators. In this respect I have much to be thankful for. To counsel for the Commission, and to counsel for the various interests represented before me, I feel deeply indebted for the efficiency, thoroughness and patience with which they acquitted themselves of their respective responsibilities. I feel grateful also to the many persons, producers, traders, technical experts, and members of administrative bodies, and of government agencies, in Canada and in overseas countries, who volunteered their assistance to me in the accomplishment of my task.

I owe a special tribute of gratitude to my learned and diligent (I should say over-worked) secretary, Dr. T. W. Grindley, Chief of the Agricultural Branch of the Dominion Bureau of Statistics. All through the inquiry and up to the completion of this report, I have constantly had the benefit of Dr. Grindley's great knowledge, of his industry, and of his unfailing attention to the many matters of substance and of detail demanding attention from the beginning to the end of work of this nature. I could not have disposed of many of the subjects of a statistical and scientific nature discussed in this report without Dr. Grindley's able assistance.

The whole of which is respectfully submitted.

(Sgd.) W. F. A. TURGEON,
Commissioner.

APPENDIX A

ACTIONS OF THE CANADIAN WHEAT BOARD IN DECEMBER, 1935

The Order in Council directs me to inquire into:

“The extent, if any, to which the Canadian Wheat Board protected speculative short interests in the Winnipeg Wheat Market in December, 1935, immediately following the higher price fixed by the Argentine Government for Argentine wheat; and the effect, whether beneficial or harmful, of any such action taken by the Board.”

This paragraph suggests that the members of the Board may have exercised their powers as sellers of wheat in such a manner as to make Board wheat available to these speculators in such quantities and at such prices as to enable them to save themselves, wholly or partly, from losses which they otherwise would probably have suffered by reason of the action of the Argentine Government.

A change in the personnel of the Canadian Wheat Board took place in December, 1935. Mr. J. R. Murray became chairman of the Board on December 3. The other two appointees were Mr. G. H. McIvor and Mr. A. M. Shaw. On the day of Mr. Murray's appointment he was in Ottawa, Mr. McIvor was in Winnipeg and Mr. Shaw was in Saskatoon. Mr. McIvor took charge of the Board's office on December 5. It was not until December 9 that the three members met together in Winnipeg for the purposes of organization.

At that time the policy of the Argentine Government, designed for the assistance of that country's producers, was to purchase all wheat delivered to it at a price equivalent to 53 cents a bushel, the Government thereby becoming the owner of the wheat and holding itself free to resell it at any price it chose to take without being accountable to the producer. In reality, the market price at the time was so much higher than 53 cents that the Government was not receiving any wheat.

I have already shown that when Mr. Murray and his two fellow commissioners took office the Board had on hand about 295,376,167 bushels of wheat and wheat futures (with more of the 1935 crop to come) and that it was the duty of the Board to sell this wheat. In pursuit of this end, the Board decided, among other things, to approach the exporters of wheat with a view to making an arrangement which would facilitate export sales. Mr. Murray's account of the matter is in the evidence at page 11648:

“The Board asked the exporters to hold a meeting, and at the request of the Board I attended that meeting, and told the exporters that we wished them to feel free to offer wheat for sale, that since practically all the wheat in the country was in the hands of a govern-

ment agency they did not need to be afraid that, if they did offer and sell a lot of wheat overnight the government agency would, when they as exporters came to buy in their hedges, make it difficult, expensive for them to buy those hedges in. They were asked to appoint a committee to meet the Board and make any suggestions that they might see fit which in their opinion might expedite and encourage the sale of Canadian wheat."

As a result of negotiations, the following arrangement was made on December 11, 1935, as evidenced by an extract from the minutes of the Board which reads:

December 11, 1935.—"The Board agreed to make wheat available to exporters in sufficient quantity to cover their overnight acceptances during the first ten minutes after the opening of the market at not more than $\frac{1}{4}$ c. over the previous day's close." (Evidence p. 11522.)

In explanation and justification of this arrangement, the Chairman's evidence is as follows:

"Q. Now, was an arrangement of that kind new as far as you know in the history of the grain trade? The history, at least, of any governmental participation in the grain trade?

A. Yes, it was new in so far as it was an arrangement entered into with all people who were interested in that phase of the grain business. It was not an entirely new practice, because our predecessors had given wheat to exporters at a quarter of a cent over the previous day's close; but they did not have an understanding or agreement with all the exporters. They did it on some occasions, but not with all of them.

Q. Now, what consideration influenced you in making this arrangement with the exporters?

A. Our business was to do anything we could to promote the export of Canadian wheat, of the very large stock of wheat that was in Canada at that time. The exporters, having connections and offices in all the importing countries, were the natural and proper people to do that business. In the Act, of course, it was laid down as our duty that we should use the existing facilities in the trade unless we found that they were not operating satisfactorily, when the Act gave us other powers if we wished to use them. We therefore considered that the exporters were salesmen for Canadian wheat, and we wanted them to get busy and try to sell it. For that reason we made that arrangement with them.

Q. That was, in addition to offerings in the pit? I mean, why would you do that in addition to offering wheat in the pit? How did you think that promoted the sale of Canadian wheat? More helpfully than to simply offer wheat in the pit freely?

A. It encouraged the exporters to make their overnight offers without— They did not offer from the fear that they might be buying their hedges in the next morning, might have to pay an outrageous price for them; therefore they would offer their wheat more freely." (Evidence pp. 11649-50.)

This arrangement with the exporters was terminated by the Board on December 19, some time after that morning's transactions had taken place. The reason given by the chairman for this termination was that, as it turned out, the effect of this direct dealing between the Board and the exporters was to lessen activity in the pit. The export business done was not properly reflected there, and in the opinion of the Board this made the market too quiet.

The first sales made by the Board to exporters under the arrangement of December 11 were in the morning of December 12.

In the evening of December 12, 1935, the Argentine Government announced in Buenos Aires that it had decided to raise its price of wheat to the producers to the equivalent of 90 cents a bushel, an increase of 37 cents over the previous minimum price of 53 cents, and 18 cents over the Buenos Aires market price of 72 cents on the 12th December.

The news of this announcement reached Winnipeg in the early morning of December 13. Mr. Murray thinks it was first communicated to him over the telephone by Mr. McIvor. The three commissioners met before 8 a.m. to discuss the situation in the light of this Argentine incident. They concluded that the news would create some buying activity and that the coming market day would be a good time to sell. They therefore decided to try to sell at least 10 million bushels that day. But, considering all the facts relating to the Argentine situation, they did not believe the action taken by the Government of that country would have a lasting upward effect on world markets. These facts, known to the grain trade for at least six weeks, were that the Argentine crop was very short, and that the country's supplies would probably be sufficient only for domestic requirements and for Brazil's import needs. On the other hand, Canada and Australia had large quantities for sale, Europe had harvested very large crops and the world demand was at its lowest level since the War. Moreover, the fact that the Argentine Government paid 90 cents to the producers for wheat delivered at Buenos Aires did not mean that it would hold its wheat for sale to Europe at that price. On a previous occasion the Government had paid the producers 53 cents, but had sold at world prices and taken a loss.

So the members of the Board decided that the best thing to do was to take advantage of the immediate bullish effect of the announcement and sell a large quantity of their holdings on December 13. The May future on the Winnipeg market had closed the previous day at 86 $\frac{7}{8}$ cents. At that time there was in effect a regulation of the Grain Exchange limiting the daily price range to 3 cents above or below the previous close.

The Board sold 20,164,000 bushels, of which 11,608,000 bushels were sold in the pit at the upward authorized three cent limit, 89 $\frac{7}{8}$ cents, and 8,556,000 in part to importers under the arrangement of December 11 and in part to millers under an arrangement made with them and which I shall refer to later. All the Board's futures were May futures.

The following table from the auditor's report will show total clearing house transactions and all sales of futures made by the Board on the days investigated by them, December 13 to December 19, inclusive:

DECEMBER, 1935
(Bushels, 000's omitted)

	13th	14th	16th	17th	18th	19th
Clearing House Totals.....	33,864	16,384	11,696	9,300	10,475	21,117
Deduct—Futures acquired by Wheat Board against cash grain sales.....	1,485	1,985	2,933	1,510	3,053	10,870
	32,379	14,399	8,763	7,880	7,422	10,247
Wheat Board Sales of Futures at Overnight export prices.....	8,556	1,411	1,257	924	813	1,687
Pit prices.....	11,608	1,245	875	1,550	1,894	1,337
	20,164	2,656	2,132	2,474	2,707	3,024

(Evidence p. 11530.)

The suggestion underlying the reference to me is that the members of the Board acted as they did on December 13 in order to "protect," or in an attempt to "protect" speculative short interests. Such action would have been misconduct on their part, because their obvious duty was to regulate their transactions in the interests of those for whom they were acting, the Government of Canada and the producers, and they could not have protected speculative short sellers without sacrificing those interests. The inference must be that they deliberately sold a large quantity of wheat at prices lower than those which they ought to have received, and did this in order to make these unduly low prices available to short speculators or to check the rise in the market in order to assist these speculators in covering.

All three commissioners were examined on this point and, as the suggestion concerning their conduct is of a serious character, I think it well to cite here what each of them had to say:

Mr. Murray's evidence:

"Q. Did you know that there was a speculative short interest in the market, and that some of this wheat probably would be taken up by those short interests?

A. You ask me if I knew there was a speculative short interest?

Q. Yes.

A. Of course no one would know that unless they had access to the books and records. You want to relate this to what we did that day?

Q. That is right, to your sales in the pit.

A. I can tell you one thing very definitely, Mr. Ralston; the fact of whether there was a short interest or a long interest or any other kind of interest never entered my mind that day. I never thought about them.

Q. Why?

A. Perhaps because they had not been talked about for six months, so much as they were; perhaps because I was one of a Board that was very busy with a more important problem and there was an important decision to be reached. Perhaps I should not say a more important problem, but I just never thought about them; that was all. If you ask me would I expect that there would be a speculative short interest in the market I would say I would expect that any time in a futures market, a short interest, a speculative short interest, and a speculative long interest.

Q. The question is referred to in the Order in Council, whether the Canadian Wheat Board protected short interests that day, and that is why I am asking you if you knew there was a short interest there and what you did about it.

A. No, I did not know there was a short interest there.

Q. But if you had known there was a short interest there what would have been your action in connection with pit sales?

A. Just the same as it was.

Q. Why?

A. Because we wanted to sell wheat." (Evidence pp.11668-69.)

"Q. What was your purpose in putting the wheat into the pit that day for sale?

A. To sell it for what we thought was a good price.

Q. Were you concerned with who was the purchaser?

A. No.

Q. Now I want to ask you, just right at this point, what do you say now as to this suggestion that there might have been some approach made to you by someone who was short on behalf of someone who was long that you put wheat into the pit so as to make it available to these short interests? Was there any suggestion of that kind made to you?

A. You are asking me, was there any such approach made to us? No, none.

Q. Direct or indirect?

A. Directly or indirectly. No, none whatever.

Q. Was there any discussion between you and your colleagues, either directly or inferentially, with regard to the making of wheat available in the pit for short interests?

A. Certainly not, and I think I answered that already, Mr. Ralston, when I told you that the question of shorts never entered my mind that day. If there had been such a discussion obviously it would have entered my mind." (Evidence p. 11673.)

Mr. McIvor's evidence:

"Mr. RALSTON: . . . Coming back to December, 1935, Mr. McIvor, had you any knowledge or intimation or substantial impression that there was a speculative short interest of substantial proportions in the Winnipeg market at that time?

WITNESS: I did not know.

Q. Had you any impression that there was any speculative short interest?

A. To be quite candid about it, I do not think I was thinking about it, and if I had been thinking about it, I do not think I would have known." (Evidence p. 11725.)

"Q. Was there any suggestion to you, either directly or indirectly, by anyone, either your colleagues or anyone else, that you or your Board might assist speculative short interests by putting wheat in the market by way of pit sales?

A. No, none at all.

Mr. RALSTON: The question was: Did any person or any body of persons request you to commence selling or make available wheat in the pit in large quantities on that day or during those days following the Argentine rise in price?

A. To my knowledge, definitely no.

Q. You mean it was wholly on the initiative of the Board?

A. Absolutely.

Q. And was it unanimous?

A. Yes.

Q. Among all the members?

A. Yes." (Evidence p. 11726.)

Mr. Shaw's evidence:

"Q. Did the matter of the possible protection of speculative shorts or short interests in the market enter into the reasons for deciding to sell wheat that day to the extent of ten million bushels or the extent of whatever amount was sold?

A. No. No matters of that kind had any bearing on it at all. It appeared, in giving consideration to the report that had come out that morning that the price in the Argentine had advanced, and naturally one wondered just what effect that would have on the market to-day, and it was up to the members of the Board to decide what they should do in view of that information. Keeping in mind that the fundamental purpose for which we were there was to merchandise the wheat that was on hand, we came to the conclusion that this market would likely be a good market to sell on,

and we agreed to sell considerable quantities providing it turned out as we thought it might.

Q. Coming back to my question, did the fact that your making wheat available in the pit might benefit people with short interests in the market influence you at all in taking that action?

A. Not the slightest.

Q. And does that same answer apply to the wheat which was subsequently sold in the pit from day to day after the 13th?

A. Yes." (Evidence pp. 11730-31.)

Mr. W. C. Folliott was the Board's sales manager at the time. He received his instructions to sell from the members of the Board, from time to time during the day. He made the selection of the brokers and decided the quantity to be allotted for sale to each of them. He says that he employed between 40 and 50 brokers during the session of December 13th. He states in his evidence:

"Q. In offering that wheat for sale or authorizing brokers to sell it, were you influenced in any way by the fact that there might be some short speculative interests, which might benefit by having that wheat put in the pit and made available?

A. No, I was not very much interested whether there were shorts or otherwise. My instructions were to sell wheat, and I called up the brokers and gave the orders, and they would report back saying they had sold so much wheat, whatever their order may have been.

Q. Do you mean that whether the purchasers were short or long did not concern you at all?

A. No. As a matter of fact I could not tell just who they might make their sales to." . . . (Evidence p. 11734.)

"Q. And does what you have said with regard to shorts apply to the days following the 13th as well as to the 13th?

A. Yes, sir.

Q. That is to say, you mean you were not influenced by the question as to whether there might be a long or short who might be purchasing that wheat?

A. No, I was not a bit interested.

Q. Were you ever approached by anybody, either directly or indirectly, or did you have it suggested to you that wheat should be made available in the pit or through a particular broker, in order that some short interests might benefit by it?

A. No, sir." (Evidence p. 11735.)

This evidence is all emphatically to the effect that no wrongful approach was made to any members of the Board, that none of them had in mind the giving of assistance to any speculative interest, and that the Board's sales policy was determined on the morning of December 13, on the opinion, which the members formed, that the news from the Argentine

would make that day a good day to sell wheat. Nobody came forward, or was brought forward, to contradict this testimony. The evidence must therefore be accepted, and the members of the Board exonerated from the suggestion of having "protected speculative short interests," unless something pointing to a different conclusion is to be found in the report of the auditors, Price, Waterhouse & Co., who were employed to investigate the transactions of December 13 and the following days. This report is filed as Ex. 571. Also we have, as Ex. 576, the report of an audit conducted by the firm of Glendinning, Gray & Roberts on instructions received from the Canadian Wheat Board on December 17, 1935. With these, is to be read two other Exhibits, Nos. 577 and 578, prepared by Counsel summarizing the first two.

When the Board made its arrangement with the exporters on December 13, 1935, it retained the right to institute an inquiry at any time into the purchases made from it by exporters in order to ascertain that all such purchases were in fact made and used in connection with genuine exports of wheat. The above table shows that on December 13, 8,556,000 bushels were sold at $\frac{1}{4}$ cent above the closing price of December 12. These sales were made to exporters excepting about one million bushels sold to millers under the arrangement made with them. On December 17 the Board instituted the audit by Glendinning, Gray & Roberts into exporters' purchases of December 13. This audit showed that 511,000 bushels were bought for purposes not contemplated by the contract. These are described in Ex. 577 as follows:

	Bushels
"Purchased by U.S. mills to cover domestic sales....."	157,000
Purchased against contracts 'the terms of which were such that we are not quite satisfied that they covered export sales of Canadian wheat'.....	96,000
Quantity 'not accounted for to our satisfaction'.....	258,000"

On the basis of this report the respective purchasers paid to the Board the difference, $2\frac{3}{4}$ cents per bushel, between the special export price and the closing price of December 13. It appears that these excessive purchases at export prices aggregating 511,000 bushels were attributed in each case to a misunderstanding on the interpretation to be given to the words "export business." None of these transactions was speculative.

In their report (Ex. 571), the firm of Price, Waterhouse & Co. outline the scope of their work and the procedure they followed:

"The Canadian Wheat Board has, in addition to copies of the minutes referred to above, furnished complete data of Wheat Board transactions for the above period together with a copy of a report made to the Board by Messrs. Glendinning, Gray and Roberts, C.A. covering an investigation made by them into certain transactions of the Board on December 13, 1935. In the course of our work we have been furnished with questionnaires completed by the members of the Winnipeg Grain and Produce Exchange Clearing Association Limited, and by a number of grain and milling companies and brokers carrying on business in other parts of Canada and the

United States of America as to their market positions on December 12 and 13, 1935, and their trades for the latter day. We have also been furnished in many instances with sworn statements regarding export sales covering a period from December 13 to 19, 1935 inclusive whilst officials of the Grain Exchange and of the Clearing House have given us official confirmation of ruling prices, volume of trading, etc., on the Winnipeg market during the period under review. . . ."

"In addition to all this material which has been the subject of close analysis and tabulation we have visited many of the offices of the companies in Winnipeg and made further inquiries and examinations of records pertinent to our investigation. Further specific reference to all of the above, will be found later in this report."

"It should be stated that the Wheat Board disposed of futures in two ways, namely:—

- (1) Under the arrangement regarding overnight export acceptances and
- (2) By sales in the pit.

"We present herewith the facts as we have obtained them regarding both kinds of transactions so that your Commission will have the benefit of this information in determining the questions referred to you for investigation." (Exhibit 571, pp. 2, 3 and 4.)

In reference to this first citation I must say a word now in regard to the arrangement with millers already mentioned. The extract from the Board minutes regarding this arrangement is as follows:

"December 13, 1935.—The Board agreed to make wheat available to millers up to 10 a.m. on the basis of the previous close in sufficient quantities to cover overnight export sales of flour." (Evidence p. 11522.)

Although this minute is entered on December 13, the facts show that on the two previous days the millers were allowed to purchase these futures at the same price as the exporters. Afterwards, the basic price mentioned in the minutes became effective. This arrangement with the millers continued, until August, 1936.

In reference to their probe into the sales to exporters and millers, on December 13 the auditors' report reads:

"The above comments cover the sales on December 13, 1935, at the Board's overnight export price. Whilst the affidavits are not, as indicated above, complete in every respect we are reasonably satisfied, subject to the above comment on the item of 703,000 bushels and 40,000 bushels of excess futures purchased by an exporter, that all of the futures sold by the Board at the overnight export price were bought by the purchaser in connection with con-

current overnight export business covered by the arrangement with the Board.

"On the matter of December 13, 1935, overnight export business, Messrs. Glendinning, Gray and Roberts, C.A. also made an investigation and reported thereon, as already mentioned, under date of March 6, 1936, to which report we would refer you." (Ex. 571, p. 9.)

The auditors' comment on the item of 703,000 bushels is as follows:

"(f) Purchase of futures for account of Foreign affiliate reported in writing by Clearing Member but request for sworn statement of export sales by Foreign affiliate not complied with . . . 703,000." (Ex. 571, p. 8.)

In respect to this item of 703,000, Mr. Gray of the firm of Glendinning, Gray & Roberts gave evidence and said that he had satisfied himself on the occasion of the audit conducted by his firm that the sales represented by this bushelage were genuine export sales. He said that he had seen the cables and sales documents referring to the purchases and shipments.

During the five other days covered by the Price, Waterhouse audit, December 14 to 19 inclusive, the aggregate sales to cover exports were 5,887,000 bushels, about two-thirds of what was sold on the 13th. The auditors find that the whole of these sales were for export excepting 169,000 bushels as to which they say:

"(e) Purchase of futures for account of Foreign affiliate reported in writing by Clearing Member but request for sworn statement of export sales by the Foreign affiliate not complied with . . . 169,000." (Ex. 571, p. 30.)

Coming now to the Board's pit sales, the auditors deal first with those of December 13, which aggregated 11,608,000 bushels. The table already set out shows the whole of the Board's pit sales during the six days investigated.

The auditors applied themselves to the task of ascertaining the speculative short interest in the Winnipeg market at the close of trading on December 12. Their report (Ex. 571, p. 26) shows a total short interest of 177,682,000 bushels (offset, of course, by the same volume of longs) of which only 6,089,000 were definitely "speculative short interests" to which should probably be added an amount of 1,927,000 bushels, being the short position of 272 small miscellaneous customer accounts, of which the auditors had no information, but which appeared to have been the small speculations of members of the public. On this basis the total short interest at the close on December 12 was 8,016,000 bushels; at the close of the following day, December 13, this figure had been reduced to 4,203,000 bushels. The investigation shows that the difference, 3,813,000 bushels, is attributed to pit sales of Board wheat. It will be remembered

though, that according to the Board evidence, particularly that of Mr. Folliott, who instructed the brokers, the members of the Board had no means of knowing who the buyers were in these pit transactions. Still less could they have known who the buyers from the first buyers were; because the figures given here represent the result of many sales and resales.

Regarding the Board's pit sales on the five following days, the auditors made no attempt to trace these, because they were relatively small in volume and do not appear to have had any appreciable effect on prices. In any event it would have been extremely difficult to trace Board sales in view of the great volume of other pit sales made on each of these days.

The evidence shows, therefore, that a number of short speculators became active buyers on December 13. The members of the Board say that they formed the opinion in the early morning that buying would be active on that day, making it, from their point of view, a good day to sell. But the mere fact that the Board sold and that short speculators, among others, bought does not show that the Board was protecting any buyer.

The question whether the members of the Board acted wisely or unwisely in selling a large quantity of wheat on December 13 is one which I am no more competent to judge than any other person who, with the history of the period before him including market prices and activities on, before and after that date, may care to express an opinion. If they had refrained from selling in large quantities on that day, their abstention might likewise have caused some unfavourable comment later, on the ground that they had failed to take advantage of a good opportunity to sell. In any case, it does seem that the upward turn of the market caused by news of the Argentine incident was not of long duration. Short speculators who rushed to buy on December 13 might have done better by waiting until later.

In answer to the question arising out of paragraph 3 of the Order in Council, I find, on the whole of the evidence that the members of the Board cannot be said to have protected speculative short interests in the Winnipeg wheat market in December 1935. The Board, in the exercise of its legitimate discretion, decided that it was advisable to sell. They sold without, of course, knowing what proportion of their sales would fall to speculators and what proportion to others: and I cannot see how a knowledge that short speculators were buying should have deterred them from selling, if they had such knowledge.

This being my opinion, the second question as to the effect of any such protection does not call for an answer.

Respectfully submitted,

(Sgd.) W. F. A. TURGEON,
Commissioner.

APPENDIX B

THE SASKATCHEWAN OATS QUESTION

Paragraph 2 of the Order in Council reads as follows:

"All transactions since the year 1930 pertaining to the handling of grain for relief and seeding purposes in the Provinces of Manitoba, Saskatchewan and Alberta under the Dominion Government guarantee, or otherwise."

Relief measures taken by the Dominion and provincial Governments in Alberta, Saskatchewan and Manitoba have already been dealt with in Chapter IX. Paragraph 2 above deals more specifically with "transactions pertaining to the handling of grain for relief and seeding purposes." This paragraph gave rise to only one subject of inquiry before me. It took the form of a controversy between the Dominion and the Saskatchewan Governments having to do with certain dealings in oats.

I heard a great deal of evidence and of argument in this case, and it was necessary I should do so in order to clarify a very complex situation, but when all has been said, the essential position is simple enough. In the autumn of 1934 the Saskatchewan Government found itself confronted with the necessity of acquiring a large quantity of oats to be distributed for feed and seed relief purposes. The estimated requirements were between 5 and 6 million bushels. This figure had to be increased later very considerably on account of a scarcity of feed wheat which the Government were also buying; so that in the result the oats distributed amounted to 8,443,592 bushels. When buying operations were decided upon in the autumn of 1934, the market prospects showed a probable shortage in oats to come. It was therefore decided to buy futures in order to ensure a sufficient supply. Pursuant to this decision oats futures were bought to the extent of 4,696,000 bushels; about 4 million bushels in November and December and the remainder at various later times up to April 3, 1935. Distribution went along, and on the first of May, 1935, the Government found itself with 3,188,000 oats futures in hand, which had cost them, according to the evidence of Mr. Gordon Brown, an average of 46 cents a bushel, and on that date the quotation for the May future was 39½ cents. The position therefore was that the futures held by the Government were worth, on market quotations, about \$195,000 less than they had cost in the fall and winter. This amount of futures was never increased at any time, but by many transactions extending over until April, 1937, they were finally disposed of at a loss of \$206,948.81, representing approximately 4.4 cents a bushel on futures or 2½ cents on all oats distributed. The difference between the book loss, \$195,000, on May 1, 1935, and the actual loss two years later was therefore only about \$12,000.

There is no question that, in the fall of 1934, the expectation of a scarcity of oats, and a consequent rise in prices, was apprehended by market students. The evidence on this point is uncontradicted. The Government therefore were well advised to enter upon the purchase of futures as security for the obtaining of necessary supplies. As things turned out, however, the scarcity did not develop, and oats prices declined instead of rising. This, of course, was due to market chances which no one could be expected to foresee with certainty.

The controversy before me arises out of the fact that the purchases of futures were made on behalf of the Saskatchewan Government by the Canadian Co-operative Wheat Producers Ltd., of which Mr. John I. McFarland was then general manager, his transactions on behalf of the Province being conducted on the strength of a guarantee to the Banks concerned given by the Government of Canada. Mr. Gordon Brown, already referred to, acted as expert adviser to the Province and as its agent in instructing the Co-operative in reference to purchases and sales of futures.

It became apparent in March that the Government would not require all the futures which they held and that they had probably one million bushels too much, and the Government authorized Mr. Brown to use his judgment in disposing of this excess and to confer with the Co-operative officials as to the advisability of doing so. Following upon this, many interviews took place between Mr. Brown on the one side, and Mr. McFarland and Mr. McIvor on the other. There is some contradiction as to what occurred at these interviews, as to the soundness of the opinions which the Co-operative officials gave Mr. Brown about selling, or holding, but in the result the evidence does not show that the Co-operative officials ever disobeyed any positive instructions which they received. On the whole, and speaking of the period up to May 31, Mr. Brown appears to have thought that the Government's loss on the futures could be avoided or lessened by holding, as he felt confident the market would improve. As a matter of fact the price did rise during May from 39 $\frac{7}{8}$ on the first of the month to 44 $\frac{1}{2}$ cents on the 23rd. But the next day it fell 4 cents and remained at about 41 cents until the end of the month.

At the end of May the Saskatchewan Government's position had changed to the extent that it now held about 3 million bushels which were no longer required. This was because of the fact that, in order to encourage the sale of cash oats by farmers to elevator companies so as to make supplies available for distribution, the Government had fixed a flat price to the farmers for all oats delivered. The elevators were buying these oats from the farmers and turning them over to the Government without hedging and this practice lessened the need of futures. The only point left has to do with the disposal of these 3 million bushels.

On June 13, 1935, a meeting was held at Winnipeg between Saskatchewan Government representatives, including Mr. Brown, and Mr. McIvor acting for the Co-operative. The decision arrived at on this occasion was to leave the selling of these futures to the Co-operative officials, who

were to dispose of them as they thought advisable having regard to the market. This decision seems to me to have been a reasonable one. The Government was naturally not anxious to remain in the oats futures market, and the best course for it to pursue would appear to be, not to throw this large quantity of futures on the market at once, but to leave the disposal of it to be made from time to time by experienced and capable agents. After all, this is the position any person takes who entrusts his grain or other commodity to another person to dispose of for him.

Mr. Brown then dropped out of the proceedings, and from that time on all communications exchanged were between the Government and the Co-operative.

The Co-operative itself had a certain quantity of its own Pool oats to sell. It was agreed on June 13 that whenever a sale was made, two-thirds of it would be allotted to Saskatchewan Government oats and one-third to Co-operative oats. This arrangement was carried on until the coming into force of the Canadian Wheat Board Act and the consequent necessity of settling with the Pools, when the Co-operative proceeded to sell its Pool oats without dividing sales with the Saskatchewan Government. This occurred in October and November, 1935. It was fortunate for the Saskatchewan Government that the 2 to 1 arrangement in regard to these sales was not carried out, because the prices realized were low, being about 31 and 32 cents a bushel.

This left the Saskatchewan Government holdings at 2,452,000 bushels, on December 31, 1935. These were used for the purposes of seed and feed distribution in 1935-36. On April 30, 1936, the futures remaining amounted to 1,787,000 bushels. Then in June, 1936, 930,000 bushels were sold. Finally in March and April, 1937, the remainder of the futures were used as give-ups in connection with purchases of cash oats for relief operations.

All these transactions, therefore, extending over the long period between November, 1934, and April, 1937, and affecting the necessary distribution of relief grain for three seasons, result in a net loss of \$206,000. It may be easy to say now that sales of futures made at one time would have been more profitable than at another, but those acting in good faith had nothing but day to day opinions and prospects to guide them.

In this connection, it appears from the evidence before me, that the Saskatchewan Government carried on wheat distribution activities in the fall of 1934 and the winter of 1935, at the same time as these oats were being distributed. Here again they dealt in wheat futures, and here again the Co-operative acted as their agents. On these wheat transactions, the Government made an actual profit of \$43,137.61. This was realized because the price of wheat went up while the price of oats went down.

I cannot find that Mr. McFarland or Mr. McIvor, or any other Co-operative official acted in any wrongful manner in so far as they were concerned, by disobeying instructions or otherwise. Consequently I think

that in the matter in controversy before me no claim can be set up against the Co-operative or against the Government of Canada.

A question was debated as to the merchant's commission on futures bought or sold, agreed to be charged by the Co-operative to the Saskatchewan government on the transactions involved. The Grain Exchange rule calls for a commission of $\frac{1}{4}$ cent per bushel. It was sought to be established on behalf of the Province that by an oral agreement made in Winnipeg in the fall of 1934, the Co-operative agreed to charge only $\frac{1}{8}$ cent per bushel. Such an arrangement would have been a breach of the Grain Exchange rule binding upon the Co-operative and entailing penalties. The Co-operative officials do not admit the making of any such arrangement, and, the evidence in support of it is too indefinite to be acted upon. I must hold that the $\frac{1}{4}$ cent commission was properly chargeable.

Respectfully submitted,

(Sgd.) W. F. A. TURGEON,
Commissioner.

APPENDIX I

LIST OF WITNESSES

A

ABRAHAM, B.....	Continental Grain Co., Ltd., Paris, France.
AITKEN, WILLIAM H.....	Messrs. James Aitken & Sons, Ltd., Glasgow, Scotland.
AKER, LINDSAY M.....	Farmer, Scollard, Alberta.
ALLELY, JOHN S. M.....	Instructor in Economics, University of Manitoba.
ALLEN, DR. WILLIAM.....	Professor of Farm Management, University of Saskatchewan.
ARNATI, K.....	N. V. Internationale Controle, Mij, Rotterdam, Holland.
ASCH, KURT, M. B.....	H. Wiener & Co., Rotterdam, Holland.
ASKEW, S. B.....	Member, Incorporated National Association of British and Irish Millers, London, England.
AULD, DR. F. HEDLEY.....	Deputy Minister of Agriculture, Province of Saskatchewan.

B

BEAIRSTO, RALPH K.....	Assistant General Manager, Dominion Bank of Canada, Winnipeg.
BEAVAN, JOHN.....	Vice-President, Liverpool Corn Trade Association.
BECHTOLD, HERMAN.....	Farmer, Fairview, Alberta.
BELL, CHARLES.....	Farmer, Nipawin, Saskatchewan.
BENNETT, GEORGE.....	Farmer and Director of Alberta Wheat Pool, Manville, Alberta.
BIDDULPH, R. W.....	European Commissioner, Canadian Wheat Board, London, England.
BLAKE, DAVID C.....	Formerly Option Clerk, Canadian Co-operative Wheat Producers Limited, Winnipeg.
BOLIN, FRED E.....	Montreal Agent, James Richardson & Sons, Ltd., Member, Montreal Corn Exchange Association Council.
BOLLE, W. C.....	Vice-President, Rotterdam Grain Futures Association.
BOLSTER, FRANK J.....	Farmer, Humboldt, Saskatchewan.
BRACEY, A. C.....	Manager, Central Grain Office, English Co-operative Wholesale Society, Liverpool, England.
BREDT, PAUL F.....	President and Managing Director, Manitoba Wheat Pool, Winnipeg.
BROWN, GORDON B.....	Grain Purchasing Adviser to Saskatchewan Government, Regina.
BROWN, LESLIE W.....	H. J. Decker & Co., Liverpool, England.
BRYAN, ROBERT M.....	Vice-President and General Manager, Hall Bryan, Ltd., Vancouver.
BUNN, JOHN R.....	Accountant, Purchasing Department, Fodder Branch, Department of Agriculture, Province of Saskatchewan.
BURCH, SAMUEL E.....	Farmer, Wellwood, Manitoba.
BURKE, FRANCIS E.....	Croll and Burke, Ltd., Exporters, Vancouver.

C

CAIRNS, ANDREW.....	Secretary, Wheat Advisory Committee, London, England.
CASWELL, WALTER B.....	Barrister, representing Citizens' Wheat Board and Price League, Saskatoon.
CATHCART, GEORGE E.....	Grain Commission Merchant, Winnipeg.
CHARD, ALFRED.....	Freight Traffic Supervisor, Province of Alberta.
CLIFFORD, WALTER.....	Farmer, Austin, Manitoba.
CLOSS, WILLIAM.....	Inspector in Charge of Lakehead Terminals, Fort William, Ontario.
CONNELL, GORDON F.....	Farmer, Regina.
COOL, BEN.....	Farmer, Carseland, Alberta.
CUSHING, IRA B.....	Farmer, Bechard, Saskatchewan.

D

- DARBY, ARTHUR E.....Secretary, Winnipeg Grain Exchange.
 DAVIDSON, BERT.....Farmer, Neepawa, Manitoba.
 DAVIDSON, CLIVE B.....Secretary, Canadian Wheat Board, Winnipeg.
 DENTON, WILLIAM.....Farmer, Benton, Alberta.
 DEWAR, DAVID.....Member, London Corn Trade Association.
 DICKINSON, FREDERICK L.....Vice-President, Canadian Seed Growers' Association, Winnipeg.
 DIXON, JAMES E.....Dixon Investment Co., & Chairman, Rabone, Petersen & Company, Export Merchants, Birmingham, England.
 DOWLER, WILLIAM J.....President, Winnipeg Grain Exchange.
 DOYLE, WILLIAM R.....Farmer, Beulah, Manitoba.
 DRENNAN, KEITH W., C.A.....Manager, Winnipeg Office, Price, Waterhouse & Co.

E

- EDWARDS, GEORGE F.....Representing On-to-the-Bay Association, Regina.
 EINARSSON, JOHANNES.....Farmer, Calder, Saskatchewan.
 EVANS, JOHN.....Farmer, Saskatoon.
 EVANS, DR. W. SANFORD.....Manager, Sanford Evans Statistical Service, Winnipeg.

F

- FETTES, CHARLES.....Farmer, Gladmar, Saskatchewan.
 FINDLAY, ROBERT C.....Assistant Chief Commissioner, Canadian Wheat Board, Winnipeg.
 FITZ, L. A.....Supervisor in Charge Chicago Field Office, Commodity Exchange Administration, Chicago, Ill.
 FLEGENHEIMER, JULIUS.....Weil Hermanos & Cie, Rotterdam, Holland.
 FOLLIOTT, W. CHARLES.....Formerly in Sales Office, Canadian Wheat Board, Winnipeg.
 FORRESTER, GEORGE A.....Grain Merchant and Feed Buyer, Saskatoon.
 FOWLER, FRANK O.....Manager, Winnipeg Grain Exchange Clearing Association.
 FRASER, JAMES D.....Chief Inspector, Board of Grain Commissioners, Winnipeg.
 FRERE, GILBERT.....Farm Manager, Kindersley, Saskatchewan.

G

- GARDINER, ROBERT.....President, United Farmers of Alberta, Calgary.
 GASKELL, J. R.....Director, Liverpool Corn Trade Association.
 GAUER, HENRY C.....Western Manager, James Richardson & Sons, Ltd., Winnipeg.
 GEDDES, DR. WILLIAM F.....Chief Chemist, Board of Grain Commissioners, Winnipeg.
 GEREIN, JAMES.....Farmer, Odessa, Saskatchewan.
 GILBERT, ORVILLE N.....Farmer, Calgary.
 GILBERT, WILLIAM F.....Retired farmer, Calgary.
 GLAZE, OSCAR.....Farmer, Sedley, Saskatchewan.
 GLOSSOP, JOHN.....Former Terminal Superintendent, Santa Monica, Calif.
 GOLDSCHMIDT, ALFRED.....J. A. Goldschmidt & Co., Paris, France.
 GOUGH, ARTHUR E.....General Manager, Overseas Farmers' Co-operative Federations Ltd., London, England.
 GOWANS, CHARLES.....Thompson & Earle, Montreal, Member of Montreal Corn Exchange Association.
 GRAHAM, BENJAMIN F.....Farmer, Cluny, Alberta.
 GRANGER, HUGH R.....Chairman, National Federation of Corn Trade Associations, London, England.
 GRANT, DR. HENRY C.....Professor of Agricultural Economics, University of Manitoba.
 GRAY, ALEXANDER Y., C.A.....Glendinning, Gray & Roberts, Chartered Accountants Winnipeg.
 GRIERSON, JOSEPH E.....Apartment Block Manager, Winnipeg.
 GRIFFIN, HENRY L.....Director, Research Department, United Grain Growers, Ltd., Winnipeg.
 GRIGGS, WILLIAM D.....Farmer, Griswold, Manitoba.
 GROSENICK, THEODORE.....Farmer, Radville, Saskatchewan.

H

HAIR, JOHN W.....	Merchant, Saskatoon.
HAMILTON, JAMES H.....	Secretary, Vancouver Grain Exchange.
HANSEN, HENRIK.....	Farmer, Lumsden, Saskatchewan.
HARPER, C. WALTER.....	Chairman, Westralian Farmers Ltd., Perth, Western Australia.
HAYLES, CHARLES E.....	General Manager, Canadian Consolidated Grain Company, Winnipeg.
HENDERSON, H. S.....	Director, Liverpool Corn Trade Association.
HESLA, MINARD S.....	Farmer, Grand Coulee, Saskatchewan.
HODSON, WILLIAM.....	Director, Liverpool Corn Trade Association.
HOPWOOD, RICHARD C.....	Secretary, National Federation of Corn Trade Associations, London, England.
HOSEGOOD, LAWRENCE.....	Member, Bristol Channel and West of England Corn Trade Association.
HULL, JOHN T.....	Secretary, Manitoba Co-operative Conference, Winnipeg.

I

IRWIN, HAROLD S.....	Agricultural Economist, Commodity Exchange Administration, Chicago, Ill.
ISMOND, WILLIAM H.....	Farmer, Abernethy, Saskatchewan.

J

JAMES, HUDSON E.....	Deputy Registrar, Board of Grain Commissioners, Vancouver.
JARDON, PIERRE.....	Former Agent for the Canadian Wheat Pools, Cazeres sur l'Adour, France.
JONES, WILLIAM E.....	Farmer, Yellow Grass, Saskatchewan.

K

KENNEDY, DONALD M.....	Farmer, Fairview, Alberta.
KNOX, FRANK A.....	Professor of Economics, Queen's University.
KNOX, JAMES G.....	Representing Saskatchewan Association of Rural Municipalities, Regina.
KRISTJANSON, JOHANN.....	Farmer, Mozart, Saskatchewan.

L

LAMARQUE, W. CHARLES.....	President, London Corn Trade Association.
LAMONTAGNE, YVES.....	Canadian Government Trade Commissioner, Brussels, Belgium.
LANES, WILLIAM E.....	Bakery Department, London Co-operative Society, Ltd.,
LANES, WILLIAM T.....	Bakery Manager, London Co-operative Society, Ltd.
LATTIMER, DR. J. ERNEST.....	Professor of Farm Economics, Macdonald College, Ste. Anne de Bellevue, Quebec.
LAW, RICHARD S.....	President and General Manager, United Grain Growers, Ltd., Winnipeg.
LAW, W. R.....	President, National Association of Flour Importers, Glasgow, Scotland.
LEVI, JULIUS.....	N. V. Nidera Handelscompagnie, Rotterdam, Holland.
LEVY, GEORGES.....	Louis Dreyfus & Co., Paris, France.
LEWIS, E. L.....	President, Liverpool Corn Trade Association.
LOGIE, THOMAS D.....	Retired Farmer and Country Elevator Agent, Burnaby, B.C.
LONGMAN, OLIVER S.....	Field Crops Commissioner, Department of Agriculture, Province of Alberta.

M

MACCARI, M.....	Grands Moulins de Pantin, France.
MADDISON, C. WILLMOTT.....	Organizing Secretary, Western Canada Publicity Association, Vancouver.
MAIRE, GABRIEL.....	Grands Moulins de Paris, France.

MANION, JAMES P.....	Assistant Commercial Attaché, Canadian Government, Paris, France.
MARSHAL, JOSEPH.....	Farmer, Yellow Grass, Saskatchewan.
MARTIN, JOHN.....	Secretary, Glasgow Corn Trade Association.
MASTER, OLIVER.....	Economist, Department of Trade & Commerce, Ottawa.
MATHIESON, GEORGE S.....	Assistant Manager & Vice-President, Norris Grain Company Ltd., Winnipeg.
MEHL, JOSEPH M.....	Assistant Chief, Commodity Exchange Administration, Washington, D.C.
MEHL, PAUL.....	Senior Agricultural Economist, Commodity Exchange Administration, Chicago, Ill.
MERCIER, M.....	Grands Moulins de Corbeil, France.
METCALFE, WILFRID.....	Farmer, Oakville, Manitoba.
MITCHELL, J. W.....	Joseph Pyke & Son, Liverpool, Ltd., London, Eng.
MOODIE, WILL.....	Farmer, DeWinton, Alberta.
MOONEY, WILLIAM T.....	Farmer, Grand Coulee, Saskatchewan.
MORAW, WINSTON C.....	Accountant, Field Crops Branch, Department of Agriculture, Province of Alberta.
MORRISON, WALTER S.....	Farmer, High River, Alberta.
MORTON, JAMES A.....	Farmer, Oakville, Manitoba.
MOTHERWELL, DR. WILLIAM R., M.P.....	Farmer, Abernethy, Saskatchewan.
MUIR, DAVID.....	Wheat Buyer & Commercial Manager, Scottish Co-operative Wholesale Society, Glasgow, Scotland.
MURCHIE, ANDREW.....	Farmer, Grande Prairie, Alberta.
MURRAY, JAMES R.....	Chief Commissioner, Canadian Wheat Board, Winnipeg.
MYCROFT, CHARLES.....	Farmer, Elstow, Saskatchewan.

Mc and Mac

MCANSH, JAMES.....	Statistician, Canadian Wheat Board, Winnipeg.
MCARTHUR, GEORGE S.....	Secretary, Ontario Flour Millers' Association, Toronto.
MCCALLA, DR. ARTHUR G.....	Research Assistant, Associate Committee on Grain Research, Department of Field Crops, University of Alberta.
MCCUSKER, THOMAS A.....	Farmer, Regina.
MACDONALD, ALEXANDER.....	Farmer, Manson, Manitoba.
MACDONALD, WILLIAM.....	Farmer, Scollard, Alberta.
MCDONALD, WILLIAM.....	McKinnon McDonald Ltd., Grain Merchants, Glasgow, Scotland.
MCDONNELL, ANGUS.....	Farmer, St. Albert, Alberta.
MCDUGALL, FRANK L.....	Economic Adviser to the Australian Government, London, England.
McFADYEN, JAMES.....	Director, English Co-operative Wholesale Society, Manchester, England.
McFADZEAN, JOHN.....	John McFadzean Ltd., Grain Merchant, Glasgow, Scotland.
McFARLAND, JOHN I.....	Former Chief Commissioner, Canadian Wheat Board, Calgary, Alberta.
MACGIBBON, DR. DUNCAN A....	Commissioner, Board of Grain Commissioners, Winnipeg.
MACGILLIVRAY, JOHN C.....	Canadian Government Trade Commissioner, Hamburg, Germany.
McIVOR, GEORGE H.....	Assistant Chief Commissioner, Canadian Wheat Board, Winnipeg; later Chief Commissioner.
McKEE, ROBERT.....	Managing Director, Canada Grain Export Co., Vancouver.
McKINNON, RICHARD W.....	Farmer, Regina.
MACLACHLAN, DANIEL C.....	President & General Manager, Maple Leaf Milling Co., Ltd., Toronto, representing Canadian National Millers Association.
McLEAN, DONALD R. McD.....	Manager, Pacific Elevators Ltd., Vancouver.
McLEAN, JOHN.....	Messrs. Thomas Borthwick Ltd., Grain Merchants, Glasgow, Scotland.
MACLEAN, WILLIAM C.....	Feed Grain Merchant, Vancouver.
MACMILLAN, HARVEY R.....	President, H. R. MacMillan Export Co., Ltd., Vancouver.
McNALLY, HAROLD.....	Farmer, Regina.

McNAMARA, ARTHUR.....	Deputy Minister of Public Works & Labour, Province of Manitoba.
MACNAUGHTON, JOHN.....	Farmer, Bents, Saskatchewan.
McQUARRIE, WILLIAM W.....	Farmer, Aberdeen, Saskatchewan.
McQUEEN, ROBERT.....	Professor of Economics, University of Manitoba.
McTAGGART, NEIL.....	Farmer, Gull Lake, Saskatchewan.

N

NELSON, NELS P.....	Farmer, Standard, Alberta.
NEWMAN, DR. LEONARD H.....	Dominion Cerealists, Ottawa.
NIXDORFF, CHARLES W.....	Farmer, Airdrie, Alberta.

O

ORCHARD, WILLIAM J.....	Farmer, Tregarva, Saskatchewan.
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P

PATTON DR. HARALD S.....	Professor of Economics, Michigan State College, East Lansing, Michigan.
PAVLYCHENKO, THOMAS K.....	Department of Field Husbandry, University of Saskatchewan.
PEARSON, JOHN A.....	Messrs. Farquhar, Pearson, Grain Merchants, Glasgow, Scotland.
PEARSON, RALPH M.....	Deputy Provincial Treasurer, Province of Manitoba.
PENN, P.....	President, Rotterdam Grain Futures Association.
PERCY, W. T. L.....	Former Assistant Manager, Canadian Wheat Pool's London Office.
PETERSON, CHARLES W.....	Publisher, Farm and Ranch Review, Calgary.
PIERCE, A. CRAIG.....	Farmer, Calgary.
PILLMAN, J. H.....	Pillman & Phillips, Flour Importers and Immediate Past President, National Association of Flour Importers, London, England.
POLOWAY, VINCENT.....	Teacher, Dauphin, Manitoba, formerly Field Service Employee, Manitoba Wheat Pool.
POUSSETTE, H. R.....	Canadian Government Trade Commissioner, Liverpool, England.
PROVOOST, EDGAR.....	Andre & Cie, S.A. Belge, Antwerp, Belgium.

R

RAMSAY, EDWARD B.....	Chief Commissioner, Board of Grain Commissioners, Winnipeg.
RANDLE, EMMANUEL.....	Farmer, High River, Alberta.
RANKIN, McDERMID.....	Farmer, Grand Coulee, Saskatchewan.
RAVENSCROFT, GORDON.....	Vice-President, National Association of Flour Importers, London, England.
RAWLINS, ALFRED.....	Farmer, Turin, Alberta.
REID, A. CUMBERLAND.....	Manager, Western Grain Co., Ltd., Winnipeg.
RHODES, JOHN H.....	Farmer, Brant, Alberta.
ROBINSON, WILLIAM.....	Farmer, Ituna, Saskatchewan.
ROSS, JAMES ARTHUR.....	Farmer, Melita, Manitoba.
RUDOLPH, FREDERICK W.....	Grain Exporter, Vancouver.
RUTHERFORD, W. H.....	W. H. Rutherford & Co., Flour Importers, Glasgow, Scotland.
RUTTAN, ALLAN.....	Farmer, Roselynn, Alberta.

S

SALMANOWITZ, JACQUES.....	General Superintendence Co., Geneva, Switzerland.
SCABERY, THOMAS W.....	Farmer, Adams, Saskatchewan.
SCHROK, N. C.....	N. Schrok, Rotterdam, Holland.
SCHWARZ, EGON F.....	Lid Van de Firma, H. Wiener & Co., Rotterdam, Holland.
SCOTT, ISAAC D.....	Spillers, Ltd., Glasgow, Scotland.
SETTLE, RUPERT H.....	Grain Section, Edmonton Chamber of Commerce.
SHAW, ALEXANDER M.....	Commissioner, Canadian Wheat Board, Winnipeg.
SHIELS, JAMES R.....	Farmer, Craven, Saskatchewan.
SHULTZ, WALTER W.....	Farmer, Namao, Alberta.

SHUTTLEWORTH, ARTHUR P.....	Farmer, Balzac, Alberta.
SIRETT, FREDERICK A.....	Farmer, Franklin, Manitoba.
SMALL, G. BRUCE.....	Secretary, National Association of Master Bakers, Confectioners and Caterers, London, England.
SMALL, WILLIAM A.....	Farmer, Craven, Saskatchewan.
SMART, JAMES.....	Farmer, Tappen, British Columbia.
SMITH, ALLEN A.....	Farmer, North Edmonton, Alberta.
SMITH, SIDNEY T.....	President, Reliance Grain Company, Ltd., Winnipeg.
SMITH, STANLEY T.....	Farmer, Dafoe, Saskatchewan.
SNODGRASS, ERIC.....	J. & R. Snodgrass, Ltd., Millers, Glasgow, Scotland.
SPENCE, HON. GEORGE, M.L.A.....	Minister of Public Works, Province of Saskatchewan.
STARNES, H. KENNETT.....	President, Montreal Corn Exchange Association.
STEVENSON, HUGH A.....	Manager, Canadian Transport Co., Ltd., Vancouver.
STOCK, MAXIMILIAN.....	Comptoir Commercial Anversois (Antwerp).
STOCKTON, GEORGE W.....	Farmer, Carlyle, Saskatchewan.
STODDART, F. O. B.....	Director, Liverpool Corn Trade Association.
STOLIKER, CHARLES B.....	Farmer, Wilkie, Saskatchewan.
STRANGE, HENRY G. L.....	Director, Research Department, Searle Grain Co., Winnipeg.
STROOBANT, GEORGE.....	Societe Anonyme Bungé, Antwerp, Belgium.
STUART, MAJOR DUNCAN.....	Barrister, Calgary.
STUYCK, FERNAND.....	G. L. Stuyck & Co., Antwerp, Belgium.
SUMMACH, AUGUST.....	Farmer, Asquith, Saskatchewan.
SVEINBJORNSON, SVEIN J.....	Farmer, Kandahar, Saskatchewan.
SWANSON, DR. W. W.....	Professor of Political Economy, University of Saskatchewan.

T

TADMAN, R.....	Wheat Expert, Overseas Farmers' Co-operative Federations Ltd., London, England.
TAGGART, HON J. GORDON, M.L.A.....	Minister of Agriculture, Province of Saskatchewan.
TAYLOR, DR. ALONZO E.....	Director of Research, General Mills, Minneapolis, Minnesota.
TELFORD, DR. J. LYLE.....	President, British Columbia Co-operative Commonwealth Federation, Vancouver.
THERRES, HENRY M.....	Farmer, Humboldt, Saskatchewan.
THOMAS, J. W.....	President, Hull Corn Trade Association.
THOMSON, JOHN.....	General Manager of Westralian Farmers Ltd., & State Wheat Pool, Perth, Western Australia.
THURSTON, JOSEPH J.....	Dairy Farmer, Chilliwack, B.C.
TITFORD, CAPT. STANLEY H.....	Secretary, London Corn Trade Association.
TODD, WILLIAM T.....	Registrar of Warehouse Receipts, Board of Grain Commissioners, Winnipeg.
TOOLEY, HERBERT.....	Former Secretary, Board of Grain Supervisors, Winnipeg.
TRENT, GEORGE A.....	Farmer, Tofield, Alberta.

U

URQUHART, J. L.....	Secretary, Liverpool Corn Trade Association.
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V

VAN BRÉE, FRANÇOIS.....	President, Société Générale de Surveillance, Antwerp, Belgium.
VAN KAN, J. ALPHONSE.....	President, Belgian Millers' Association, Brussels, Belgium.
VAN ROMPA, EUGENE.....	Director, Belgian Grain and Produce Co., Antwerp, Belgium.
VAN STOLK, C.....	Van Stolk Commissiehandel, Rotterdam, Holland.
VAN ZWEEDEEN, B.....	N. V. Bunge's Handelsmaatschappij, Amsterdam, Holland.
VERBEEK, WILLIAM.....	Van Stolk Commissiehandel, Rotterdam, Holland.
VIGOR, HAROLD D.....	Vice-Chairman, British Wheat Commission, London, England.

W

- WAGNER, CLARK O.....Farmer, Regina.
 WALKER, GORDON D.....Farmer, Claresholm, Alberta.
 WALLACE, ALEXANDER W.....Farmer, Pasqua, Saskatchewan.
 WEILER, GEORGES.....Directeur, N. V. Commissiehandel "Cereales", Rotterdam, Holland.
 WESSON, JOHN H.....Vice-President, Saskatchewan Wheat Pool, Maidstone, Saskatchewan.
 WESTON, GARFIELD W.....George Weston Ltd., London, England.
 WHITFORD, JOHN H.....Farmer, Bon Accord, Alberta.
 WHITTLE, JOHN.....General Manager, Midland Pacific Terminal Ltd., Vancouver.
 WIGGINS, WALTER.....Agrarian Organizer, Communist Party of Canada, Winnipeg.
 WILGRESS, LESLIE D.....Director, Commercial Intelligence Service, Department of Trade and Commerce, Ottawa.
 WILLIAMS, ERNEST W.....Grain Purchasing Agent and Manager, Feed and Fodder Branch, Department of Agriculture, Province of Saskatchewan.
 WILSON, DR. CHARLES F.....Statistician, Agricultural Branch, Dominion Bureau of Statistics, Ottawa.
 WILSON, MRS. MARIE.....Farmer, Harris, Saskatchewan.
 WOOD, JAFFRAY S.....President, United Farmers of Manitoba, Oakville, Manitoba.
 WOODMAN, HORACE.....Secretary, Treasury Department, Province of Alberta.
 WRIGHT, FRANK.....Commissioner, North Battleford, Saskatchewan, Board of Trade.
 WYATT, FRANK A.....Professor of Soils, University of Alberta.

Z

- ZUROWSKI, LEOND R.....Farmer, Southey, Saskatchewan.

APPENDIX II

LIST OF EXHIBITS

Exhibit
No.

1. Statement showing acreage and production of cereal grains in Canada, 1908 to 1935.
2. Statement showing elevator capacity in Canada, 1915-16 to 1935-36.
3. Statement showing country deliveries of wheat and coarse grains, by months, 1921-22 to 1935-36, Western Canada.
4. Statement showing receipts of grain at terminal markets, lake and seaboard ports, 1921-22 to 1935-36.
5. Statement showing lake movement of Canadian grain, 1921-22 to 1935-36.
6. Statement showing transportation costs and handling charges in Western Canada, Argentina and Australia.
7. Statement showing Canadian visible supply of wheat and carry-over stocks of all grains, 1917 to 1936.
8. Statement showing grain prices, basis in store, Fort William or Port Arthur, 1890-91 to 1935-36.
- 8a. "Monthly Review of the Wheat situation", Vol. 7, No. 3, November 20, 1936.
9. Statement showing consumption of wheat in Canada from 1868 to 1935.
10. Statement showing world wheat acreage and production, 1900 to 1935; by countries since 1908.
11. Statement showing world wheat acreage and production, related to exports and imports by 5-year periods.
- 11a. Statement showing world wheat production, leading producing countries, 1931 to 1935.
- 11b. Statement showing world acreage and production of coarse grains, 1931 to 1936.
12. Statement showing c.i.f. prices of wheat at Liverpool, 1930 to 1936.
13. Statement showing world net exports and net imports of wheat and flour, 1920-21 to 1935-36.
- 13a. Statement showing Canadian, Argentine, Australian and U.S.A. wheat exports in percentage of surplus over domestic requirements, 1924-25 to 1935-36.
- 13b. Statement showing wheat and flour imports into China and Brazil, 1925-26 to 1934-35.
14. Statement showing exports of Canadian grains and grain products, crop years 1908-09 to 1935-36.
- 14a. Condensed preliminary report on the trade of Canada—Dominion Bureau of Statistics, 1934.
15. Statement showing United Kingdom wheat imports (excluding flour).
16. Statement showing imports of wheat into the chief importing countries, calendar years 1926 to 1935.
17. Statement showing Canadian grain unloaded at the port of Antwerp and distribution thereof during the period May 1 to October 31, 1936.
18. Submission by Mr. James McAnsh.
19. Submission by Mr. Clive B. Davidson on "The Trade Situation and The Wheat Problem".
20. Statement showing the trade position of Germany, calendar years 1929 to 1935.
21. Statement showing the trade position of France, calendar years 1929 to 1935.
22. Statement showing the trade position of Switzerland, calendar years 1929 to 1935.
23. Statement showing the trade position of Italy, calendar years 1929 to 1934.
24. Statement showing the trade position of the Netherlands, calendar years 1929 to 1935.
25. Statement showing the trade position of Belgium, calendar years 1929 to 1935.
26. Statement showing trade balances of Germany, France, Switzerland, Italy, The Netherlands and Belgium, 1929 to 1935.
27. Statement showing trade of Germany, France, Switzerland, Italy, The Netherlands and Belgium with Canada, United States, Argentina and Australia, 1929 to 1935.
28. Breakdown of classification of Canadian imports.

Exhibit
No.

29. Statement showing Canadian imports from Switzerland, 1926 to 1936.
30. Statement showing Canadian imports from Belgium, 1926 to 1935.
31. Statement showing Canadian imports from The Netherlands, 1926 to 1935.
32. Statement showing Canadian imports from France, 1926 to 1935.
33. Statement showing Canadian imports from Italy, 1926 to 1935.
34. Statement showing Canadian imports from Germany, 1926 to 1935.
35. Statement showing Canadian imports from Norway, 1926 to 1935.
36. Statement showing Canadian imports from Sweden, 1926 to 1935.
37. Breakdown of classification of Canadian imports from Belgium, 1926 to 1935.
38. Statement showing imports of wheat into The Netherlands, 1926 to 1935, by countries.
39. Statement showing Canadian imports from The Netherlands, 1926 to 1935, by commodities.
40. Statement showing Canadian imports from Continental European wheat importing countries, 1930 and 1935.
41. Statement showing Canadian Trade with the Orient—Japan, China, Hong Kong, 1930 and 1935.
42. Commercial Intelligence Journal, Vol. LIV, No. 1675, March 7, 1936.
43. Commercial Intelligence Journal, Vol. LV, No. 1694, July 18, 1936.
44. Submission by Dr. D. A. MacGibbon entitled "Marketing Methods in the United States, Argentina and Australia".
45. Submission by Professor Robert McQueen entitled "What is the Position of International Trade Theory and In What Ways, If Any, is it Necessary to Alter the Application of that Theory to Suit the Present World Situation?"
46. Submission by Professor J. S. M. Alley entitled "What are the Possible Developments in World Monetary Affairs and How are These Developments Likely to Affect the Extent and Character of Future World Trade?"
47. Lloyd's Bank Ltd. Monthly Review, October, 1935, containing article "The Future of the Foreign Exchanges" by J. M. Keynes, page 527.
48. Submission by Dr. Charles F. Wilson entitled "Statement *re* Tariffs and Restrictive Measures on Imports, Aids to Domestic Production and Bonuses in Various Countries since 1925".
49. Submission by Dr. Henry C. Grant entitled "What Have Been and May Be the Developments of Agricultural Protectionism in Europe and their Effects upon the Canadian Export Trade in Wheat?"
50. Submission by Dr. William F. Geddes entitled "Observations on Milling and Baking Practices in England and Scotland".
51. Memorandum, "Nature and Extent of the Activities of the Board of Grain Supervisors, 1917-1920".
52. Pamphlet, "Operations of the Board of Grain Supervisors for Canada, June 11, 1917 to January 31, 1920".
53. Memoranda of the Board of Grain Supervisors for Canada, November 15, 1917.
54. Memorandum, "Nature and Extent of the Activities of the Canadian Wheat Board, 1919-1920".
55. Report of the Canadian Wheat Board, Season 1920.
56. The Canadian Wheat Board Chairman's Report, 1919-1921.
57. Pamphlet, "Description of the Official Standards for Wheat, Oats, Barley, Rye and Linseed, Crop Year 1935-36"—Official Publication of the Ministry of Agriculture, Argentine Republic.
58. Statement showing grades of Canadian wheat shipped to China, crop years 1932-33 to 1935-36.
59. Statement showing Australian handling charges, supplementary to Exhibit No. 6.
60. Statement showing percentage world and United Kingdom wheat trade secured by "Big Four" (Canada, Argentina, Australia and U.S.A.), supplementary to Exhibits 13 and 15.
61. Statement showing per capita consumption of wheat used for food in 14 countries, pre-war and post-war.
62. Statement showing disposition of Canadian wheat crops—in Prairie Provinces, in all Canada, 1930-31 to 1935-36.
63. Statement showing percentage that Canadian exportable surplus bears to production, five years 1925 to 1929; five years 1931 to 1935, inclusive.
64. Statement showing wheat exports in percentage of surplus over domestic requirements, Canada, Argentina, Australia and U.S.A., 1924-25 to 1934-35, supplementary to Exhibit No. 13a.

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65. Pamphlet, "Agricultural Situation and Outlook, Canada"—Dominion Bureau of Statistics and Dominion Department of Agriculture, 1937.
66. Statement showing Canadian imports by commodity classifications, 1930 and 1935.
67. Chronological List of Commercial Agreements.
68. Statement showing the Argentine Trade Position, 1929 to 1935.
69. Chart showing Canadian exports for fiscal year 1936 and Argentine exports for calendar year 1935, by countries of destination.
70. Chart showing Canadian imports for fiscal year 1936 and Argentine imports for calendar year 1935, by countries of origin.
71. Statement showing the trade position of Australia, 1925-26 to 1934-35.
72. Statement showing the trade position of the United States, 1929 to 1935.
73. Statement showing wheat and flour in Canadian exports, 1926 to 1935.
74. Statement showing trade of the Argentine with the Netherlands, Belgium and Switzerland, 1929 to 1935.
75. Map illustrating crop testing plan, 1936, showing points from which wheat samples were collected.
76. Location map of elevators, Searle Grain Company Limited, 1932.
77. Map showing distribution of wheat varieties in Alberta, by electoral districts.
78. Map showing distribution of wheat varieties in Saskatchewan, by electoral districts.
79. Statement showing distribution of the important varieties of wheat seeded in Western Canada in 1936.
80. Map showing distribution of the important varieties of wheat seeded in Western Canada in 1936.
81. Map showing distribution of Marquis wheat seeded in Western Canada in 1936, by percentages.
82. Map showing distribution of Reward wheat seeded in Western Canada in 1936, by percentages.
83. Map showing distribution of Garnet wheat seeded in Western Canada in 1936, by percentages.
84. Map showing distribution of Red Bobs wheat seeded in Western Canada in 1936, by percentages.
85. Map showing distribution of Ceres wheat seeded in Western Canada in 1936, by percentages.
86. Map showing distribution of Durum wheat seeded in Western Canada in 1936, by percentages.
87. Reprint from Scientific Agriculture of April, 1936, entitled "Varietal Composition of Canadian Hard Red Spring wheat", by J. G. C. Fraser and A. G. O. Whiteside.
88. Statement showing varietal composition of overseas cargoes of 1 Northern wheat, 1935 crop, ex Fort William.
89. Statement showing varietal composition of overseas cargoes of 2 Northern wheat, 1935 crop, ex Fort William.
90. Statement showing varietal composition of overseas cargoes of 3 Northern wheat, 1935 crop, ex Fort William.
91. Statement showing varietal composition of overseas cargoes of 1, 2 and 3 Northern wheat, 1935 crop, ex Churchill, Manitoba.
92. Statement showing varietal composition of overseas cargoes of 3 Northern wheat, 1935 crop, ex Montreal.
93. Statement showing varietal composition of overseas cargoes of 2 Northern wheat, 1935 crop, ex Montreal.
94. Statement showing varietal composition of overseas cargoes of 1 Northern wheat, 1935 crop, ex Montreal.
95. Statement showing varietal composition of overseas cargoes of 3 Northern wheat, 1935 crop, ex Vancouver.
96. Statement showing varietal composition of overseas cargoes of 2 Northern wheat, 1935 crop, ex Vancouver.
97. Statement showing varietal composition of overseas cargoes of 1 Northern wheat, 1935 crop, ex Vancouver.
98. Summary of the varietal composition of overseas cargoes received from the Chief Grain Inspector, 1935 crop.
99. Statement showing varietal composition of overseas cargoes of 1 and 2 C.W. Garnet wheat, 1935 crop, ex Fort William and Vancouver.
100. "Handbook of Canadian Spring Wheat Varieties", L. H. Newman, J. G. C. Fraser, A. G. O. Whiteside.

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101. Protein Survey Map of Western Canada, Hard Red Spring Wheat, 1935 crop.
102. Protein Survey Map of Western Canada, Grades 1 Hard, 1, 2 and 3 Northern Wheat, 1934 crop.
103. Letter from Assistant Secretary of Winnipeg Grain Exchange to Johann Kristjanson, Mozart, Sask.
104. Pamphlet, "A Skinner, First Skins One and Then the Other" by Johann Kristjanson.
105. Memorandum for presentation to the Commission *re* grain marketing, by the North Battleford Board of Trade.
106. A Resolution of the Avondale Study Group.
107. Submission by the Citizens' Wheat Board and Price League, Saskatoon.
108. Chart showing competition between crop and weeds as shown by their root systems.
109. Photograph of root system of brome grass, 100 days after emergence.
110. Photograph of root system of Marquis wheat, 80 days after emergence.
111. Circulars No. 516, 528, 531 and 532, College of Agriculture, University of Saskatchewan, *re* eradication of noxious weeds.
112. Submission by Dr. William Allen on "Economic Problems of Saskatchewan Grain Producers".
113. Report No. 2, Bulletin No. 65, May, 1935, College of Agriculture, University of Saskatchewan, "Studies of Farm Indebtedness and Financial Progress of Saskatchewan Farmers".
114. Bulletin No. 64 of the College of Agriculture, University of Saskatchewan, "Studies of Probable Net Farm Revenues for the Principal Soil Types of Saskatchewan".
115. Soil Survey Report No. 10 of the College of Agriculture, University of Saskatchewan.
116. Soil Map of Saskatchewan, Map No. 1—Southwest area.
117. Soil Map of Saskatchewan, Map No. 2—Northwest area.
118. Soil Map of Saskatchewan, Map No. 3—Northeast area.
119. Soil Map of Saskatchewan, Map No. 4—Southeast area.
120. Report No. 1, Bulletin No. 60, College of Agriculture, University of Saskatchewan, December, 1934; "Studies of Farm Indebtedness and Financial Progress of Saskatchewan Farmers".
121. Report No. 3, Bulletin No. 68, College of Agriculture, University of Saskatchewan, November, 1935; "Studies of Farm Indebtedness and Financial Progress of Saskatchewan Farmers".
122. Report No. 4, Bulletin No. 71, College of Agriculture, University of Saskatchewan, March, 1936; "Studies of Farm Indebtedness and Financial Progress of Saskatchewan Farmers".
123. Charts Relating to Wheat Problems, with Brief Explanatory Notes; by Dr. W. Sanford Evans.
124. Chart showing wheat car loadings, Prairie Provinces, 1929-30 to 1935-36.
125. Chart showing wheat shipments, Great Lakes, 1929-30 to 1935-36.
126. Reprint from proceedings of World's Grain Exhibition & Conference, Regina, 1933, "Present World Wheat Situation and Prospects" by Dr. W. Sanford Evans.
127. Wheat Studies of the Food Research Institute, Volume XII, No. 7, March, 1936, entitled "Canadian Wheat Stabilization Operations, 1929-35".
128. Chart showing world carry-over *ex* Russia and China, August 1, 1922 to 1936.
129. Report of the Commission to Enquire into Trading in Grain Futures, 1931.
130. Statement by the President of the Winnipeg Grain Exchange, Mr. W. J. Dowler.
131. Report of the Royal Grain Inquiry Commission, 1925.
- 131a. Interim Report of the Royal Grain Inquiry Commission, Vancouver, B.C., June 19, 1924.
132. Book entitled "Contract Markets for Commodities" by A. L. Russell.
133. Letter from Austin D. Sturtevant of Bartlett Frazier Company, Chicago to Mr. W. J. Dowler of Winnipeg, attaching report of the Special Committee of the Chicago Board of Trade to study the desirability of establishing a market for trading in futures in soy beans.
134. Findings of the Farmers National Grain Dealers Association Commission to Inquire into Agencies, Laws and Regulations Affecting Grain Prices.
135. Hearings of the Farmers National Grain Dealers Association Commission to Inquire into Agencies, Laws and Regulations Affecting Grain Prices.

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136. Minutes of Evidence of Dr. Robert Magill before the Select Standing Committee on Agriculture and Colonization at Ottawa, April 25 and 26, 1922.
137. Statement *re* wheat prices prepared by Sanford Evans Statistical Service.
138. Constitution and by-laws of the Winnipeg Grain Exchange, to May 1, 1937.
139. Statement of Winnipeg wheat prices for 26 years, 1908-09 to 1933-34, prepared by Sanford Evans Statistical Service, Winnipeg.
- 139a. Statement of Winnipeg wheat prices from August, 1934 to September, 1936, prepared by Sanford Evans Statistical Service, Winnipeg.
140. Submission by the Secretary of the Winnipeg Grain Exchange, Mr. Arthur E. Darby.
141. Statement of wheat prices, July 21 to 28, 1919.
142. Evidence and Proceedings before the Commission to Inquire into Trading in Grain Futures, April, 1931.
143. Report of Chief of the U.S. Grain Futures Administration for Fiscal Year 1936.
144. Report of Chief of the U.S. Grain Futures Administration for Fiscal Year 1930.
145. Report of Chief of the U.S. Grain Futures Administration for Fiscal Year 1931.
146. U.S. Department of Agriculture Circular No. 397, May, 1936; "Analysis of Open Commitments in Wheat and Corn Futures on the Chicago Board of Trade, September 29, 1934", D. B. Bagnell.
147. Final Act, Conference of Wheat Exporting and Importing Countries, signed at London, August 25, 1933.
148. Minutes of Proceedings and Evidence of the Special Committee on Bill 98, Canadian Grain Board Act, 1935.
149. Statement by Mr. Frank O. Fowler on behalf of the Winnipeg Grain and Produce Exchange Clearing Association Limited.
150. General By-Laws and Rules of the Winnipeg Grain and Produce Exchange Clearing Association Limited, as amended August 1, 1929.
151. Minutes of Proceedings and Evidence of the Special Committee on the Marketing of Wheat and other Grains, House of Commons, 1936.
152. Submission by the North-West Grain Dealers' Association entitled "The Country Elevator".
153. Submission by R. K. Beairisto on financing of the western grain crop.
154. Rules and Regulations of the Secretary of Agriculture under the Grain Futures Act, United States Department of Agriculture.
155. Report of the Grain Futures Administration, U.S. Department of Agriculture, dated September 9, 1924.
156. Report of the Grain Futures Administration, U.S. Department of Agriculture, dated October 1, 1925.
157. Report of the Chief of the Grain Futures Administration, U.S. Department of Agriculture, dated December 15, 1930.
158. Report of the Chief of the Grain Futures Administration, U.S. Department of Agriculture, dated September 1, 1931.
159. Report of the Chief of the Grain Futures Administration, U.S. Department of Agriculture, dated September 1, 1932.
160. Report of the Chief of the Grain Futures Administration, U.S. Department of Agriculture, dated September 1, 1933.
161. Report of the Chief of the Grain Futures Administration, U.S. Department of Agriculture, dated September 1, 1934.
162. Report of the Chief of the Grain Futures Administration, U.S. Department of Agriculture, dated August 31, 1935.
163. Report of the Chief of the Grain Futures Administration, U.S. Department of Agriculture, dated September 28, 1936.
164. The United States Commodity Exchange Act, 1936.
165. Pamphlet, "Lake Shippers' Clearance Association. Its Functions and Service in the Economic Shipment and Transportation of Western Grain".
166. By-Laws, Rules and Regulations of the Lake Shippers' Clearance Association.
167. Submission by Mr. C. E. Hayles on Terminal Elevators.
168. Broker's Note.
169. Map showing location and capacity of public and semi-public terminal elevators in Canada.
170. Submission by Mr. Henry C. Gauer on Shippers and Exporters.
171. Minutes of Proceedings and Evidence of the Select Standing Committee on Agriculture and Colonization, 1931, Nos. 7 and 8.
172. Agreement between the U.K. and the Argentine Government relating to Trade and Commerce with Protocol, Protocol of Signature and Letters, London, December 1, 1936.

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173. Convention between the Government of the United Kingdom and the Government of the Argentine Republic relating to Trade and Commerce, with Protocol, London, May 1, 1933. (Treaty Series No. 2, 1934.)
174. Supplementary Agreement between the Government of the United Kingdom and the Government of the Argentine Republic, relating to Trade and Commerce, with Protocol, Buenos Aires, September 26, 1933. (Treaty Series No. 3, 1934.)
175. Pamphlet, "The Canadian Wheat Pool in Prosperity and Depression", by Harald S. Patton.
176. Pamphlet, "The Market Influence of the Canadian Wheat Pool", by Harald S. Patton.
177. Submission by Harald S. Patton on "Pool Marketing of Canadian Wheat".
178. Copy of the Annalist of Friday, July 31, 1936, containing article on "Experiments in Wheat Control; United States Wheat Prices and the Canadian Wheat Board," by H. S. Patton.
179. Wheat Studies of the Food Research Institute, Volume VII, No. 2, December, 1930, entitled "The World Wheat Situation, 1929-30", and "The Canadian Wheat Pool and Prices".
180. Presentation of United Grain Growers' Ltd., No. 1, General Statement.
181. Pamphlet, "What is the Grain Growers' Grain Company Limited, and What Does it Stand For?"
182. By-laws and Charter of United Grain Growers, Limited.
183. Book entitled "Grain Growers' Co-operation in Western Canada", by H. S. Patton.
184. Book entitled "A History of the Farmers' Movement in Canada", by Louis Aubrey Wood.
185. Book entitled "Economic Problems of the Prairie Provinces", by W. A. Mackintosh.
186. Annual Report of the Grain Growers' Grain Co., Ltd., Winnipeg, 1917.
187. Annual Report of the United Grain Growers Ltd., 1936.
188. "Grain Merchandising Functions of the Elevator Systems of Western Canada", H. L. Griffin in Volume 1, Proceedings of the World's Grain Exhibition and Conference, Regina, 1933.
189. Pamphlet, "The Record of the United Grain Growers Ltd., on the Question of Pool Marketing".
190. Annual Report of the United Grain Growers, Ltd., 1920.
191. A statement of Policy followed by United Grain Growers, Ltd., during a period of twenty-four years towards other farmers' organizations.
192. Annual Report of the United Grain Growers Ltd., 1926.
193. "The U.F.A.," Calgary, Alberta, of February 15, 1926, containing address by Henry Wise Wood before the United Farmers of Alberta Annual Convention.
194. Report of the Royal Commission to Inquire into Charges Against Manitoba Pool Elevators, Ltd., 1931.
195. "The Grain Market Situation"; Six Annual Reviews issued by the United Grain Growers Limited, 1930 to 1935.
196. Wheat Studies of the Food Research Institute, Volume III, No. 9, August, 1927, containing article entitled "Reactions in Exporting and Importing Countries to Changes in Wheat Prices".
197. The Country Guide, May, 1934, containing article entitled "Wheat Should Be Handled Separately".
198. Annual Report of the United Grain Growers Ltd., 1935.
199. Annual Report of the United Grain Growers Ltd., 1934.
200. Annual Report of the United Grain Growers Ltd., 1933.
201. 12th Annual Report, 1936, Saskatchewan Co-operative Wheat Producers Ltd.
202. Directors' Report of Manitoba Pool Elevators, Ltd., July 31, 1936.
203. Excerpt from Winnipeg Tribune, October 17, 1936, headed "Pool Delegates Protest Wheat Board Set-up".
204. Annual Report of the Alberta Wheat Pool, 1935-36.
205. Addresses and Reports Presented to the United Farmers of Alberta Convention, January, 1937.
206. House of Commons Debates, unrevised editions, Thursday, July 4, 1935.
207. Minutes of United Farmers of Manitoba 34th Annual Convention, Neepawa, Manitoba, October 27 to 29, 1936.
208. The Western Producer of July 30, 1936, containing resolution *re* Wheat Board.

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209. Report of the Canadian Wheat Board, crop year 1935-36.
210. "The Budget" of December 19, 1936,—Alberta Wheat Pool.
211. "The Budget" of January 2, 1937,—Alberta Wheat Pool.
212. The Western Producer of January 14, 1937.
213. Program of the United Farmers of Alberta 29th Annual Convention, Calgary, January 19 to 22, 1937.
214. Answers to Questions 3, 4, 5 and 6 directed to the Trade by Commission Counsel.
215. Answers to Questions 7, 8, 9 and 10 directed to the Trade by Commission Counsel.
216. Answers to Questions 11, 12, 13 and 14 directed to the Trade by Commission Counsel.
217. Answer to Question 18 directed to the Trade by Commission Counsel.
218. Submission by the Canadian National Millers' Association.
219. Statement giving statistical information on flour.
220. Submission by the Ontario Flour Millers' Association.
221. Statement made on behalf of the Canadian Wheat Pools to Royal Commission to Inquire into Trading in Grain Futures, Winnipeg, April 21, 1931.
222. Statement showing estimates of consumption of wheat in France.
223. Statement in reference to German Tariff Policy in 1879.
224. Statement showing quotas and regulations imposed on wheat growers and millers in Germany.
225. Statement showing estimates of consumption of wheat in Germany, 1924-25 to 1935-36.
226. Summary of Trade Agreement between Argentina and Switzerland.
227. Translation of Netherlands-Hungarian Clearing Agreement.
228. Summary of Provisional Agreement on Commerce and Navigation, between Argentina and The Netherlands.
229. Summary of Provisional Commercial Agreement between Argentina and the Belgium-Luxemburg Economic Union.
230. Summary of Trade Agreement between Argentina and Germany for one year ending October 31, 1935.
231. Extract from U.S. Department of Commerce Reports describing the extension of the Argentina-Germany Trade Agreement to October 31, 1936.
232. Translation of Trade Agreement between Switzerland and Hungary.
233. List of corrections to transcript of evidence of Dr. L. H. Newman, on December 10, 1936.
234. Letter from Henry L. Griffin giving correction in transcript of Mr. Law's evidence.
235. Letter from Daniel C. MacLachlan giving corrections in transcript of his evidence.
236. Correction to Exhibit No. 7.
237. Additional statement with reference to evidence of Mr. R. S. Law.
238. Additional statement with reference to evidence of Mr. R. S. Law, (No. 2).
239. Additional statement with reference to evidence of Mr. R. S. Law, (No. 3).
240. Proceedings of the International Wheat Pool Conference, St. Paul, Minn., 1926.
241. Proceedings of the Second International Co-operative Wheat Pool Conference, Kansas City, Missouri, 1927.
242. Table showing methods of marketing wheat, 1929-30 to 1934-35.
243. Table showing purchases and sales of wheat and flour, by months, by the Canadian Wheat Board of 1919.
244. Letter dated December 21, 1936, and corrected table No. 12 (page 35B) of submission of Dr. William Allen.
245. Press releases of the Department of State, U.S. Government, Saturday, December 28, 1935.
246. Statement of the Secretary of the Vancouver Grain Exchange.
247. Constitution and by-laws of the Vancouver Grain Exchange.
248. Commercial Intelligence Journal, Volume LIII, No. 1661, Ottawa, November 30, 1935, containing "Review of China's Wheat Import Trade" by B. A. McDonald.
249. Commercial Intelligence Journal, Vol. LIV, No. 1679, Ottawa, April 4, 1936, containing article "Wheat and Wheat Flour Trade of Japan in 1935" by T. J. Monty.
250. Map showing revised grain freight rates of Western Canada, eastbound and westbound zones; Sanford Evans Statistical Service, April, 1932.

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251. Broker's Note.
252. Map of Vancouver Harbour showing location of terminal elevators.
253. Submission by Dr. J. Lyle Telford *re* freight rates (No. 1).
254. Submission by Dr. J. Lyle Telford *re* screenings.
255. Submission by Dr. J. Lyle Telford *re* Vancouver Harbour Board.
256. Submission by Dr. J. Lyle Telford *re* Vancouver and Montreal comparative grain prices.
257. Further Submission by Dr. J. Lyle Telford *re* freight rates (No. 2).
258. Pamphlet "Marketing Canada's Wheat" by James E. Boyle, Ph.D.
259. Further Submission by Dr. J. Lyle Telford *re* freight rates (No. 3).
260. Submission by Dr. J. Lyle Telford *re* western feeding grain cost at Vancouver.
261. Submission by Dr. J. Lyle Telford entitled "Freight Rate Anomalies".
262. Submission by Dr. J. Lyle Telford *re* statement of Mr. J. H. Hamilton before the Commission.
263. Submission by Dr. J. Lyle Telford entitled "Exploitation of B.C. Consumers".
264. Submission by Dr. J. Lyle Telford *re* "Report of the Grain Trade of Canada. 1924".
265. Submission by Dr. J. Lyle Telford *re* "Digest of Canadian Grain Statistics", March 19, 1937.
266. Statement showing maximum tariff of charges, terminal elevators west of Calgary.
267. Warehouse receipt for grain received in store, Midland Pacific Terminal Limited.
268. Memorandum "Wheat and Flour Situation in Japan" by J. P. Manion, Canadian Assistant Trade Commissioner in Japan.
269. Extract from the Northwestern Miller of January 1, 1930, entitled "Ajinomoto, An Oriental Product Made from Wheat Flour" by C. H. Briggs.
270. Statement of Mr. John Glossop as presented to Hon. W. R. Motherwell, with statement to Commission attached.
271. First permanent record of Mr. John Glossop regarding certain grain shipments from private terminal elevator.
272. Board of Grain Commissioners Statement "A" on Wheat, June 16, 1934 to June 15, 1935.
273. Letter from Mr. C. Willmot Maddison to Mr. Justice Turgeon, dated April 1, 1937.
274. Brokers' Contract Form 28A London Corn Trade Association, Grain Futures Contract, for Canadian Wheat.
275. Brokers' Contract Form 76B London Corn Trade Association, Grain Futures Contract, for Canadian Wheat.
276. Brokers' Future Delivery Contract 2B of the Liverpool Corn Trade Association, Limited, for Wheat, Liverpool Grade.
277. Statement showing ocean freight rates, Vancouver and New Westminster to United Kingdom, Continent, January, 1924 to July, 1935.
278. Preliminary Soil Survey of the Peace River-High Prairie-Sturgeon Lake Area by Dr. F. A. Wyatt, University of Alberta, Edmonton.
279. Soil Survey of St. Ann Sheet by Dr. F. A. Wyatt, J. D. Newton and T. H. Mather, University of Alberta, Edmonton.
280. Submission by Grain Section, Edmonton Chamber of Commerce.
281. Copy of Order in Council, P.C. 111 of January 18, 1937.
282. Submission by Dr. A. G. McCalla.
283. Letter from Peace River Milling Company to Dr. McCalla, dated April 2, 1937, together with table.
284. Statement showing milling and baking tests, samples of varieties grown in Argentina.
285. Statement showing mean loaf volumes of Argentine samples, standard grades, 1936 crop.
286. "The Press Bulletin" of the Department of Extension, University of Alberta. No. 3, Volume XXII, February 1, 1937.
287. Statement showing comparative grain prices—Canada and United States, July 20, 1917 to August 15, 1919.
288. Copies of Alberta Legislation under which distribution of feed and seed relief carried on in Alberta since 1930.
289. Form of order to vendor of relief grain under the Province of Alberta Agricultural Relief Advances Act.
290. Form of demand note for seed grain, 1937, Province of Alberta.
291. Form of lien accompanying the demand note under the Agricultural Relief Advances Act, Province of Alberta.

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292. Form of application for grain for seeding purposes under the Agricultural Relief Advances Act, 1936, Province of Alberta.
293. Form of feed grain and/or fodder demand note, Province of Alberta, Relief Year 1936-37.
294. Form of application for loan for the purchase of feed grain and/or fodder, with form of lien attached, Province of Alberta Agricultural Relief Advances Act.
295. Form of chattel mortgage covering advance under the Agricultural Relief Advances Act, Province of Alberta, 1936.
296. Form of order to ship or deliver grain or fodder under the Relief Act, 1937-38, Province of Alberta.
297. Form of promissory note for tractor fuel and/or oil, Province of Alberta.
298. Form of order to deliver tractor fuel and/or oil, Province of Alberta.
299. Form of application for loan for the purchase of tractor fuel and/or oil, the Agricultural Relief Advances Act, 1936, Province of Alberta.
300. Circulars *re* operation and administration of agricultural relief under the Agricultural Relief Advances Act, 1936, Province of Alberta.
301. Consolidated statement of receipts and expenditures for the period April 1, 1930 to October, 1937, Agricultural Relief, Province of Alberta.
302. Statement showing feed and fodder advances, April 1, 1930 to September 30, 1936, Province of Alberta, Agricultural Relief.
303. Statement showing seed grain advances, April 1, 1931 to September 30, 1936, Province of Alberta, Agricultural Relief.
304. Statement showing freight on feed and seed, April 1, 1930 to October 31, 1936, agricultural relief, Province of Alberta.
305. Statement showing agricultural relief expenditures. Seed grain losses in Nampa district, April 1, 1932 to March 31, 1933, Province of Alberta.
306. Statement showing agricultural relief expenditures, tractor fuel and oil, April 1, 1935 to March 31, 1937, Province of Alberta.
307. Statement showing bonus to registered seed growers, April 1, 1931 to March 31, 1932, Province of Alberta agricultural relief expenditures.
308. Statement showing purchases of potatoes and vegetables, April 1, 1933 to March 31, 1936, Province of Alberta agricultural relief expenditures.
309. Statement showing movement of settlers, April 1, 1930 to March 31, 1937, Province of Alberta agricultural relief expenditures.
310. Statement showing movement of stock to wintering areas, April 1, 1933 to March 31, 1937, Province of Alberta agricultural relief expenditures.
311. Statement showing wintering of horses from dry area, April 1, 1933 to March 31, 1935, Province of Alberta agricultural relief expenditures.
312. Statement showing freight on stocker and feeder cattle, April 1, 1930 to March 31, 1936, Province of Alberta agricultural relief expenditures.
313. Statement showing purchase of cattle in drought area, 1934-35, Province of Alberta agricultural relief expenditures.
314. Statement showing relief land settlement, April 1, 1932 to March 31, 1936, Province of Alberta agricultural relief expenditures.
315. Statement showing agricultural relief administration, April 1, 1931 to May 31, 1936, Province of Alberta agricultural relief expenditures.
316. Statement showing net expenditures on agricultural relief, and treasury bills issued to Dominion Government, 1930-31 to 1935-36. Department of Agriculture, Province of Alberta.
317. Two statements showing quantity, value and average price paid for relief feed grain and relief seed grain purchased during the years 1931-32, 1932-33, 1933-34, 1935-36. Department of Agriculture, Province of Alberta.
318. Submission by Mr. O. S. Longman *re* "Land Utilization under Special Municipal Areas Act, Province of Alberta".
319. Map of Alberta showing areas affected by 5, 4, 3, 2, and 1 years of drought.
320. Map showing Alberta drought area.
321. Submission by O. S. Longman *re* "Improvement of Cereal Crops in Alberta".
322. Statement of rates on grain for export to Vancouver from Northern Alberta Railway points, showing how they compare with Crows Nest Rates.
323. Statement of rates on grain for export to Port Arthur from Northern Alberta Railway Points via Edmonton and C.N.R. showing how they compare with the Crows Nest Pass Schedule.
324. Statement of Grain Section, Edmonton Chamber of Commerce, *re* Northern Alberta wheat.

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325. Statement showing Winnipeg cash close, April 15, 1937, by grades.
326. Submission by Major H. G. L. Strange entitled "A Price Index of 'Things Farmers Buy,' Generally Known as the 'Searle Index'".
327. Recommendations of the Meteorological Conference held at Winnipeg, November 5 and 6, 1931.
328. Map showing long-time average annual precipitation, Prairie Provinces, with explanations appended.
329. Report, "The Agricultural Situation and Outlook, 1937".
330. Submission by the Pool Organizations of Alberta, Saskatchewan and Manitoba, Part I.
331. Submission by the Pool Organizations of Alberta, Saskatchewan and Manitoba, Part II.
332. Copy of Resolution passed by Canadian Council of Agriculture, October 22, 1920, and Report of December 9, 1920, by committee appointed.
333. Report to the Government of Saskatchewan on Wheat Marketing by James Stewart and F. W. Riddell.
334. Letters received by the Pool from overseas correspondents *re* closing of London office. (Confidential Exhibit.)
335. Statement of Pool payments per bushel for the years 1924 to 1930.
336. Statement showing Pool deductions for Elevator and Commercial Reserves, basis No. 1 Northern.
337. Pamphlet, "Tides in the West".
338. Pamphlet, "Pool Facts and Wheat Prices". Address by Mr. D. L. Smith, Sales Manager, Canadian Pool, October 27, 1926.
339. Report of radio speech by Mr. J. H. Wesson, extracted from Western Producer of January 20, 1927.
340. Submission by Mr. John H. Rhodes.*
341. Pamphlet, "The World Wheat Problem and the London Agreement".
342. Statement of the Associated Boards of Trade of Macleod, Granum, Claresholm, Stavely, Nanton, Cayley, High River and Pincher Creek, Alberta.
343. Submission by Mr. W. S. Morrison.
344. Submission by Mr. C. W. Peterson.
345. Pamphlet, "Immigration and Its Economic Background" by C. W. Peterson.
346. United States Department of Agriculture Bulletin entitled "Agricultural Price-supporting Measures in Foreign Countries".
347. Submission by Mr. Alfred Rawlins.
348. Essay by Mr. Rawlins on "Some Major Problems in Grain Marketing".
349. Statement showing voluntary Pool payments, 1931-32 to 1934-35, basis No. 1 Northern.
350. Statement showing Canadian Co-operative Wheat Producers Limited export offers and comparison with market prices, July, August and September, 1929.
351. Statement showing Wheat Pool elevator and commercial reserve deductions 1923-24 to 1928-29.
352. Statement showing Pool average monthly sales.
353. Pamphlet, "Pooling Alberta's Wheat", issued by Alberta Co-operative Wheat Producers Limited.
354. Chart showing sales of wheat by Central Selling Agency and High and Low of cash prices, No. 1 Northern at Winnipeg by months for crop years 1924-25 to 1929-30.
355. Reports of the Royal Grain Inquiry Commission, 1928, Province of Saskatchewan.
356. Statement showing Pool deliveries by Provinces, 1924-25 to 1930-31, inclusive.
357. Statement showing deliveries and sales by months, of the Canadian Co-operative Wheat Producers Limited, September, 1930, to August, 1931, inclusive.
358. Statement of futures sold for account of new season by Canadian Co-operative Wheat Producers Limited, 1924-25 to 1928-29, inclusive.
359. Wheat Pool file of various contracts and marketing agreements employed.
360. Submission by Mr. John I. McFarland.
361. Statement of receipts and sales of cash grain and futures contracts, Canadian Co-operative Wheat Producers Limited, Wheat Division, 1930 crop. August 22, 1930 to December 2, 1935.
362. Statement of receipts and sales of cash grain and futures contracts, Canadian Co-operative Wheat Producers Limited, Coarse Grains Division, 1930 crop, 1930 to 1935.

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363. Statement showing Canadian Co-operative Wheat Producers Limited special suspense account. Daily purchases and sales of futures contracts, July 1, 1931 to December 2, 1935.
364. Statement of receipts and sales of cash grain and futures contracts from August 1, 1935 to December 2, 1935; Canadian Co-operative Wheat Producers Limited, Wheat Division, special suspense account.
365. Statement showing Canadian Co-operative Wheat Producers Limited special suspense account and total holdings of wheat and wheat futures, Table 1, July, 1931 to May, 1935. Table B, June, 1935 to December, 1935.
366. Statement showing Canadian Co-operative Wheat Producers Limited approximate combined average costs per bushel; 1930 Pool and special wheat holdings.
367. Statement showing Canadian Co-operative Wheat Producers Limited deliveries, sales and holdings of 1930 Pool wheat, August 22, 1930 to December 2, 1935.
368. Statement showing Canadian Co-operative Wheat Producers Limited special suspense sales and purchases, June 24 to August 12, 1933.
369. Submission by William F. Gilbert.
370. Pamphlet "The Canadian Desert" by Major Duncan Stuart, K.C.
371. Submission by Major Duncan Stuart, K.C.
372. Submission by Mr. O. N. Gilbert.
373. Pamphlet, "Water Conservation in the Prairie Provinces" by T. C. Main.
374. Form of petition requesting Government Wheat Board.
375. Signed petitions requesting Government Wheat Board.
376. File of various letters relative to petition requesting Government Wheat Board.
377. Submission by Mr. Emmanuel Randle.
378. Book entitled "Deserts on the March" by Paul B. Sears.
379. "Pacific Affairs", Vol. VIII, No. 4, December, 1935, with index.
380. File of correspondence between Sir Herbert T. Robson and John I. McFarland, February to May, 1935.
381. Submission by the United Farmers of Alberta.
382. Submission by Mr. Will Moodie.
383. Statement showing deliveries, sales and holdings of 1930 Pool coarse grains, Canadian Co-operative Wheat Producers Limited.
384. Submission by Mr. George Bennett.
385. Submission by Mr. Ben Cool.
386. Copy of Saturday Evening Post of May 8, 1937, containing article "That Ever-normal Granary" by James E. Boyle.
387. Submission by Mr. Arthur P. Shuttleworth.
388. Submission by Mr. Nels P. Nelson.
389. Submission by Mr. Allan Ruttan.
390. Submission by Mr. W. T. Mooney.
391. Resolution passed at a Regina meeting of representative farmers from the district.
392. Extracts from Hansard, pages 2066 to 2070, Volume 2, 1935.
393. Minutes of Proceedings and Evidence and the Report of the Select Standing Committee on Agriculture and Colonization, 1928.
394. Extracts from the Report of the Royal Grain Inquiry Commission, 1925.
395. Copies of correspondence from the files of the Department of Trade and Commerce, as submitted in the evidence before the Select Standing Committee on Agriculture and Colonization, 1928.
396. Statement of Hon. Dr. W. R. Motherwell regarding the Wheat Board.
397. Submission by Mr. William Robinson.
398. Submission by Mr. John H. Wesson for the Pool Organizations of Alberta, Saskatchewan and Manitoba.
399. "Monthly Review of the Wheat Situation", Volume 7, No. 8, April 23, 1937.
400. Excerpt from the London Observer of April 4, 1937, on "Bread Prices in Great Britain".
401. Wheat Studies of the Food Research Institute, Volume XII, No. 4, December, 1935.
402. Book entitled "Wheat and the A.A.A." by J. S. Davis.
403. Statement of Hon. George Spence on behalf of the Province of Saskatchewan.
404. Submission by Mr. James G. Knox for the Saskatchewan Association of Rural Municipalities.
405. Submission by Mr. Harold McNally.
406. Statement of prices received from 1929 wheat crop by Mr. Harold McNally.

407. Statement showing country elevator receipts by provinces, August 1, 1936 to April 30, 1937.
408. Statement showing wheat deliveries to Saskatchewan Pool Elevators Ltd., sold by farmers during each of the first four crop months, seasons 1931-32 to 1935-36, inclusive.
409. Submission by Mr. Walter Wiggins for the Communist Party of Canada.
410. Submission by Mr. Gordon F. Connell.
411. Submission by Mr. William E. Jones.
412. Submission by Mr. Joseph Marshall.
413. Submission by Mr. Ira B. Cushing.
414. Submission by the On-to-the-Bay Association.
415. Statement showing grain deliveries at points on C.N.R. which have the same or lower freight rate to Churchill than Port Arthur, for crop years 1931-32 to 1935-36, inclusive.
416. Statement showing location and number of elevators with their total capacity, on C.N.R. at points which have the same or lower freight rate to Churchill than Port Arthur.
417. Statement showing approximate average charges between producer in Western Canada and the arrival of vessel at British ports, per bushel of wheat exported via Montreal, Sorel, Quebec, Vancouver, New Westminster and Churchill for the calendar year 1935.
418. Map showing freight rates on grain to Port Arthur and in different colours the areas which have favourable rates to Churchill.
419. Submission by Mr. Theodore Grosenick.
420. Circular letter of the Pioneer Grain Co., Limited, dated August 31, 1936 to All Saskatchewan and Manitoba Agents *re* Canadian Wheat Board Minimum Price.
421. Circular letter of Saskatchewan Co-operative Wheat Producers Limited, dated September 8, 1936 to All Members of Wheat Pool Committees *re* Canadian Wheat Board Minimum Price.
422. Circular letter of Western Grain Company, dated September 9, 1936 to All Agents *re* Canadian Wheat Board Minimum Price.
423. Submission by Mr. Frank J. Bolster.
424. Letter from Board of Grain Commissioners to Mr. W. H. Ismond.
425. Submission by Mr. Richard W. McKinnon.
426. Submission by Mr. William A. Small.
427. Statement of Canadian Wheat Board daily bushel transactions, for the period December 2, 1935 to November 30, 1936—Old Wheat.
428. Statement of Canadian Wheat Board daily bushel transactions, for the period September 12, 1935 to November 21, 1936—1935 Crop.
429. Statement of Canadian Wheat Board combined daily bushel transactions, September 12, 1935 to November 30, 1936—1935 Crop and Old Wheat.
430. Particulars of 1936 crop wheat received by Canadian Wheat Board during the period from August 1 to August 27, 1936, at the provisional price of 87½c. basis No. 1 Northern and the disposition thereof.
431. Statement showing Canadian Wheat Board deliveries and sales, September 1, 1935 to December 1, 1936.
432. Summary of Canadian Wheat Board weekly sales and prices, December 9, 1935 to July 31, 1936.
433. Statement showing Winnipeg closing prices, all grains, by months, August, 1936 to April, 1937.
434. Statement showing approximate average cost per bushel, Old Wheat, 1936, basis No. 1 Northern, Canadian Wheat Board.
435. Submission by Mr. James R. Murray.
436. Copy of P.C. 2202. Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 28th August, 1936.
437. Circular letters of the Canadian Wheat Board to Grain Trade.
438. Circular letters of North West Grain Dealers' Association to members *re* Canadian Wheat Board minimum price.
439. Circular letters of Saskatchewan Pool Elevators Ltd. to Agents *re* Canadian Wheat Board minimum price.
440. Further submission by Mr. James R. Murray.
441. "Monthly Review of the Wheat Situation", Vol. 6, No. 10, June 19, 1936.
442. C.I.F. prices of wheat at Liverpool, January 1, 1930 to February 24, 1937.
443. Brochure, "Developing the British Market for Canadian Wheat".
444. Folder presenting an advertising campaign of the Canadian Wheat Board.

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445. Statement showing approximate average cost per bushel, Old Wheat, 1936, Canadian Wheat Board.
446. Submission by Mr. Johannes Einarsson.
447. Submission by Mr. Hendrick T. Hansen.
448. Submission by Mr. Oscar Glaze.
449. Submission by the Gull Lake Farmers Organization, presented by Mr. Neil McTaggart.
450. Statement showing record of crop yields with cost and price per bushel of wheat grown and marketed from the farm of McDermid Rankin.
451. Booklet, "Agricultural Marketing Schemes in Action" by W. H. Myles, M.B.E., M.A., and memorandum *re* the hops marketing scheme under the Agricultural Marketing Act (U.K.) with copy of Act.
452. Chart submitted by Mr. M. S. Hesla showing closing May prices, average price and deliveries made at Grand Coulee during the period August, 1936 to May, 1937.
453. Submission by Mr. M. S. Hesla.
454. Booklet containing "Various Statements by Pool Leaders".
- 445a. Annual Reports of the Saskatchewan Co-operative Wheat Producers Ltd., 1925 to 1930, inclusive.
- 455b. Annual Reports of the Saskatchewan Co-operative Wheat Producers Ltd., 1931 to 1930, inclusive.
456. Annual Reports of the Alberta Wheat Pool, 1926-27 to 1935-36, inclusive.
457. Annual Reports of the Manitoba Wheat Pool, 1925 to 1930, and of Manitoba Pool Elevators, Ltd., 1932 to 1936.
458. Copy of George Broomhall's Corn Trade News, Vol. XLVI, No. 31, July 29, 1936.
459. Telegram dated May 27, 1937 to the Secretary of the Commission from the Secretary of the Commercial Intelligence Service, Ottawa, and an extract from the Australian Year Book, 1936, *re* bounties paid to Australian farmers.
460. Copy of Wheat Act, 1932, 22 and 23, Geo. V, Ch. 24.
461. Handbook of Directions to Authorized Merchants, under Wheat Act, 1932.
462. By-laws of the Wheat Commission—Fourth Edition.
463. Report of the Standard Price Committee—June, 1935.
464. Booklets of London Co-operative Society and copy of address on "Proposals for a Price Policy or a Bread Price Board".
465. Memorandum No. 1 of the Secretariat of the Wheat Advisory Committee, "The World Demand for Imported Wheat".
466. Memorandum No. 2 of the Secretariat of the Wheat Advisory Committee, "The Wheat Policies of European Governments".
467. Submission by Mr. James E. Dixon.
468. Answers of National Federation of Corn Trade Associations to the Commission Questionnaire.
469. Specimens of Canadian and American Forms of Contract, London Corn Trade Association.
470. Memorandum No. 3 of the Secretariat of the Wheat Advisory Committee, "The International Wheat Agreement" (Confidential).
471. Fourth Report of the Wheat Advisory Committee to the Governments signatory to the final Act of the Conference of Wheat Exporting and Importing Countries, including draft of a new wheat agreement (Confidential).
472. Submission by Mr. Andrew Cairns.
473. Memorandum and articles of association of the Liverpool Corn Trade Association Limited, with amendments.
474. By-laws of the Liverpool Corn Trade Association Limited, 1929, with amendments.
475. Contract and by-laws governing wheat (Liverpool grade), the Liverpool Corn Trade Association, Limited.
476. Resolutions in reference to the grading of wheat on future delivery contracts, the Liverpool Corn Trade Association, Limited.
477. Form of American parcel contract, c.i.f. terms, Liverpool Corn Trade Association, Limited.
478. Market Report of W. S. Williamson & Company, dated July 7, 1937.
479. Submission by Mr. H. R. Pousette.
480. Submission of M. Jean Goldschmidt, as presented by M. Alfred Goldschmidt.
481. Pamphlet, "Variations in the Price of French Wheat, 1900-1937".

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482. Memorandum *re* law enacted August 15, 1936 by Government of France.
483. Memorandum *re* wheat legislation in France.
484. Memorandum *re* wheat regulation in France.
485. Memorandum *re* bread wheat prospects in France.
486. Submission in French of Mr. Pierre Jardon, with translation.
487. Submission by Mr. J. C. Macgillivray *re* wheat and flour situation in Germany.
488. Address before the Congress of the International Chamber of Commerce, Washington, May 6, 1931, by Eugene Van Rompa.
489. Statement showing wheat production in Belgium, and imports.
490. Memorandum *re* wheat and flour trade regulations in Belgium.
491. Memorandum *re* effect on sales of Canadian wheat of clearing agreements in force between Belgium and certain wheat producing countries.
492. Submission of Weil, Hermanos & Co., entitled "Reply to points raised in memorandum No. 4, of the Canadian Royal Grain Inquiry Commission", prepared by Messrs. Darnbacher and Flegenheimer.
493. Regulations and Arbitration Rules of the Rotterdam Wheat Futures Market, with amendments.
494. Regulations and Arbitration Rules of the Rotterdam Maize Futures Market, with amendments.
495. Descriptive documents *re* port of Antwerp.
496. Statement *re* wheat and flour situation in the Netherlands, prepared by Mr. James Langley.
497. Book entitled "The Exchanges of London" by W. S. Dowling.
498. Book entitled "The Baltic Exchange" by J. A. Findlay.
499. Addendum to Memorandum No. 2, submitted by Andrew Cairns.
500. Supplementary statement by C. F. Wilson, showing tariff charges on wheat in various European countries.
501. "The Agricultural Register, 1936-37"; Oxford University Press.
502. Letter dated August 6, 1937, from Yves Lamontagne, Canadian Government Trade Commissioner, Brussels, to Commission Counsel, with Memorandum of the Roumanian-Belgian Clearing Agreement.
503. Commercial Intelligence Journal, Vol. LIV, No. 1667, of January 11, 1936, containing article "Commercial Policy of Roumania" by Yves Lamontagne.
504. Letter dated August 17, 1937, from James A. Langley, Canadian Government Trade Commissioner, Rotterdam, to the Secretary of the Commission, attaching letter of F. Darnbacher *re* level of wheat prices in Winnipeg and other markets (Vide Ex. 492).
505. Copies of letters of P. Penn (President) and W. C. Bolle (Vice-President) of the Rotterdam Grain Futures Association to James Langley, and reply of the Secretary of the Commission to James Langley.
506. Memorandum "Some Observations on the Grain and Flour Trade of Scotland" by G. B. Johnson, Canadian Government Trade Commissioner, Glasgow.
507. Letter from W. T. L. Percy to the Secretary, dated July 21, 1937, with addendum to his evidence.
508. Copy of letter from the Secretary of the Commission to Mr. George P. Broomhall with the latter's reply and table showing monthly sales made on Liverpool Wheat Futures Market, January, 1929 to July, 1937.
509. Confidential Exhibit—Weekly price list of Scottish Co-operative Wholesale Society Limited, Glasgow, showing list of flour brands.
510. Letter from E. L. Lewis, President, of the Liverpool Corn Trade Association to Mr. Justice Turgeon *re* evidence of Mr. Andrew Cairns, and correspondence of Secretary with Mr. Cairns relating thereto.
511. Letters from Pierre Jardon to the Commission dated August 3 and 9, 1937, enclosing correspondence with Grands Moulins de Paris and Grands Moulins de Corbeil regarding evidence given before the Commission by representatives of these firms.
512. Confidential Exhibit—Letter from the official reporter dated September 14, 1937, enclosing letter dated September 11 from the Canadian Government Trade Commissioner in Rotterdam and revised version of evidence given by C. Van Stolk and W. Verbeek.
513. Letter dated September 3, 1937, from the Canadian Government Trade Commissioner at Milan regarding grain trade conditions in Italy.
514. Letters dated July 9, August 7 and August 13, 1937, exchanged between the Secretary of the Commission and Mr. C. S. Orwin of the University of Oxford, together with a statement of costs of growing wheat on four English farms in 1934 and 1935.

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515. Letters dated September 1 and 11, 1937, from the Canadian Government Trade Commissioner in Rotterdam; and August 20 and 27, 1937, from the Assistant Canadian Government Trade Commissioner in Brussels, together with the Secretary's reply thereto, regarding the per capita consumption of bread in The Netherlands and Belgium respectively.
516. Article by H. L. Brown, Assistant Canadian Government Trade Commissioner in London, dated May 31, 1937, entitled "Foodstuffs in the London Market".
- 517a. Hearing before the Committee on Agriculture, U.S. House of Representatives, on Bill H.R. 8829, *re* Regulation of Grain Exchanges, April, 1934.
- 517b. Hearing before the Committee on Agriculture, U.S. House of Representatives, on Bill H.R. 3009 (Commodity Exchange Act), February, 1935.
- 517c. Hearings before the Committee on Agriculture and Forestry, United States Senate on Bill H.R. 6772 (An Act to Amend the Grain Futures Act), April, 1936.
518. Bill H.R. 8829—An Act to Amend the Grain Futures Act.
519. Rules and Regulations of the Secretary of Agriculture under the Commodity Exchange Act, July, 1937.
520. Reporting Forms of the Commodity Exchange Administration, Nos. 200, 201, 202, 203, and 204.
521. Circular No. 323, United States Department of Agriculture, "Trading in Privileges on the Chicago Board of Trade" by Paul Mehl.
522. Submission by Mr. Paul Mehl.
523. U.S. Senate Document No. 135, 1926, "Fluctuations in Wheat Futures".
524. U.S. Senate Document No. 264, 1929, "Reports by Members of Grain Futures Exchanges".
525. U.S. Senate Document No. 123, 1930, "Reports by Members of Grain Futures Exchanges, Part II".
526. U.S. Senate Document No. 61, 1933, "Suspension of Reports of Large Speculative Accounts in Grain Futures".
527. Reprint from Journal of Farm Economics, July, 1934, "Trading in Futures and Price Fluctuations" by Paul Mehl.
528. U.S. Department of Agriculture Bulletin No. 1479, March, 1927, "Speculative Transactions in the 1926 May Wheat Future" by J. W. T. Duvel and G. Wright Hoffman.
529. Statement showing relationship between daily price range and net price change, opening to close, of the dominant wheat future and the daily volume of trading in wheat futures on the Chicago Board of Trade; compiled by Paul Mehl, 1935.
530. Statement showing annual volume of trading in Chicago wheat futures in relation to supplies of wheat, by crop years 1922-23 to 1933-34, by Paul Mehl, 1935.
531. Statement showing trading in job lots and round lots in wheat and corn futures at Chicago, by Paul Mehl, 1936.
532. Chart showing Chicago wheat futures held by two large speculative groups, June 14 to July 31, 1933.
533. Chart showing daily net position in all Chicago wheat futures of each of five large speculators from May 27 through July 27, 1933.
534. United States Department of Agriculture, Commodity Exchange Administration bulletin entitled "A Primer of Trading in Commodity Futures".
535. Reprint from the Illinois Law Review, Volume XXXII, No. 2, June, 1937, "Legal Status of Trading in Futures" by H. S. Irwin.
536. Pamphlet, "Risk Assumption in Trading on Exchanges" by H. S. Irwin.
537. Reprint from the Journal of Political Economy, No. 1, February, 1935, "Seasonal Cycles in Aggregates of Wheat Futures Contracts" by H. S. Irwin.
538. Pamphlet, "Seasonal Tendencies in Wheat Futures Prices, 1936" by H. S. Irwin.
539. Pamphlet, "Impressions Concerning Country Trading in Grain Futures", April, 1936, by H. S. Irwin.
540. Graphic illustration of distribution of Iowa traders who held wheat futures only, on the Chicago Board of Trade, September 29, 1934.
541. Graphic illustration of distribution of wheat futures of Iowa traders in round and job lots, September 29, 1934.
542. Graph showing various functions of Commodity Exchange Administration.

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543. List of all commodity futures markets designated as such by Commodity Exchange Administration, including date of designation and commodities in which future trading is conducted.
544. List of commodities in which futures trading is conducted in the U.S., including year in which trading began, and markets.
545. Address by J. M. Mehl on governmental regulation of the commodity exchanges; 1935.
546. Address by J. M. Mehl on "The Commodity Exchange Act as it Affects the Grain Trade".
547. Address by J. M. Mehl on "Administration of Commodity Exchange Act".
548. Address by J. M. Mehl on "Objectives of Federal Regulation of the Commodity Exchanges".
549. Address by J. M. Mehl, "The Co-operative Elevator's Interest in the Commodity Exchange Act".
550. U.S. Department of Agriculture Statistical Bulletin No. 54, "Wheat Futures, Volume of Trading, Open Commitments and Prices, from January 3, 1933 to December 31, 1935".
551. Bill H.R. 7577, June 18, 1937 (U.S.). A Bill to provide an adequate and balanced flow of the major agricultural commodities in inter-state and foreign commerce, and for other purposes.
552. Memorandum presented to the Royal Grain Inquiry Commission by the Manitoba Co-operative Conference.
553. Memorandum of the United Farmers of Manitoba.
554. Presentation of Canadian Seed Growers' Association.
555. Circular No. 12 of the Canadian Seed Growers' Association, "Regulations and other Information Governing the Production of Elite Stock of Self-fertilizing Crop Plants".
556. Circular No. 6 of the Canadian Seed Growers' Association, "Rules and Regulations Governing the Production of Registered Seed of Self-fertilizing Grain Crops".
557. By-laws of Canadian Seed Growers' Association, revised June 17, 1931.
558. The Seeds Act, 1936, with amendments and regulations.
559. Circular No. 15 of the Canadian Seed Growers' Association, "Varieties of Crops Accepted for Registration".
560. Annual Report of the Canadian Seed Growers' Association, 1930-31.
561. Circular No. 16 of the Canadian Seed Growers' Association, "Forage Crop Regulations".
- 562a. Canada Grain Act, 1930.
- 562b. Amendments to, 1934.
563. Circular No. 63 of Board of Grain Commissioners *re* grading of Garnet Wheat.
564. Circular No. 65 of Board of Grain Commissioners *re* grading of Barley.
565. Circular No. 66 of Board of Grain Commissioners *re* grading of Red Spring Wheats.
566. Circular No. 71 of the Board of Grain Commissioners *re* Grain Standards, 1935, Commercial Grades.
567. Annual Report of the Canadian Seed Growers' Association, 1935-36.
568. Report of the Minister of Agriculture, Canada, for the year ending March 31, 1922.
569. Report of the Minister of Agriculture, Canada, for the year ending March 31, 1923.
570. Statement showing amount and value of cereal crop seed used in Canada, 1936 and 1937.
571. Report on sale of Winnipeg May wheat futures by the Canadian Wheat Board, December 13 to 19, 1935.
572. Copy of letter of March 13, 1937 from Assistant Commission Counsel to all Exporters and Millers who purchased futures from the Canadian Wheat Board.
573. Copy of letter of January 4, 1937 from Assistant Commission Counsel to all members, Winnipeg Grain and Produce Exchange Clearing Association, together with schedule as to trades, December 13, 1935.
574. Copy of letter of February 22, 1937 from the Assistant Commission Counsel to all members, Winnipeg Grain and Produce Exchange Clearing Association, together with schedule as to change in position, December 12 and 13, 1935.

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575. Copy of letter of June 19, 1937 from Price, Waterhouse and Company to clearing members of Winnipeg Grain and Produce Exchange Clearing Association with schedule of return as to position, purchases and sales of clients on December 12 and 13, 1935.
576. Report of Glendinning, Gray and Roberts, C.A. to the Canadian Wheat Board regarding the transactions related to the May wheat cleared by the Canadian Wheat Board at 87½c. on December 13, 1935.
577. Summary of report by Glendinning, Gray and Roberts, C.A., dated March 6, 1936 (Exhibit 576).
578. Statement showing comparison of figures of Glendinning, Gray and Roberts and Price, Waterhouse and Company on export sales of wheat and flour on December 13, 1935.
579. Submission by Dr. F. Hedley Auld.
580. Tabulated statement of the wheat crop of Saskatchewan by districts, 1916 to 1936.
581. Series of crop maps of Saskatchewan, 1918 to 1937 inclusive, showing approximate average wheat yields by municipalities.
582. Series of crop maps of Saskatchewan, 1907 to 1917 inclusive, showing approximate average wheat yields, by crop districts.
583. Map showing Saskatchewan relief area, 1929 to 1936 inclusive, showing areas in which relief of all kinds was extended.
584. Map showing Saskatchewan prospective relief area, September 21, 1937. Official Drought Area, 1937.
585. Statement showing seed and relief grain purchased by Saskatchewan Government by relief periods, seasons 1931-32 to 1936-37 inclusive.
586. Act of 1934-35 (Chapter 33). An Act to enable municipalities to borrow money for distribution of seed grain and supplies, with amendments of 1936 (Chapter 44) and 1937 (Chapter 33). Saskatchewan.
587. Act of 1937 (Chapter 36) respecting the granting of relief and agricultural aid in municipalities. Saskatchewan.
588. Act of 1937 (No. 13) respecting advances to purchase seed grain and other supplies, Province of Saskatchewan.
- 589a. Act of 1937 (Chapter 92). An Act respecting debt adjustment in the drought and other areas of the province of Saskatchewan.
- 589b. Act of 1936 (Chapter 83). An Act respecting advances to purchase seed grain, Province of Saskatchewan.
590. Map of Municipalities 38, 39, 40, 68, 69, 70 and 71 southwest of Weyburn, showing land classification, based on suitability for wheat production.
591. Statement showing Canadian Co-operative Wheat Producers Limited daily financial position together with daily purchases and sales of wheat, oats and barley futures. Purchasing agency, seed and feed relief, from September 22, 1931 to August 19, 1932.
592. Statement showing Canadian Co-operative Wheat Producers Limited daily financial position together with daily purchases and sales of oats futures. Purchasing Agency seed and feed relief from February 15 to June 23, 1933.
593. Statement showing Canadian Co-operative Wheat Producers Limited daily financial position together with daily purchases and sales, oats and barley futures. Purchasing Agency, seed and feed relief from August 16, 1933 to July 20, 1934.
594. Statement showing Canadian Co-operative Wheat Producers Limited daily financial position together with cash grain and futures operations. Wheat and oats division, Department of Agriculture, Saskatchewan Government, from November 6, 1934 to April 21, 1937.
595. Statement showing Canadian Co-operative Wheat Producers Limited daily position, cash grain and futures, oats division, Saskatchewan Government account, season 1930-31 Pool and Clearing House, for months of May, June and July, 1935.
596. Statement showing Saskatchewan Government oats account carried by Canadian Co-operative Wheat Producers Limited, period 1934 to 1937.
597. Statement showing Canadian Co-operative Wheat Producers Limited oats division, 1930 crop. Summary of transactions from November 1, 1934 to November 27, 1935.
598. Statement showing daily futures transactions, oats division—Canadian Co-operative Wheat Producers Limited.
599. Submission by Mr. Joseph E. Grierson.

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600. "A study of the Fluctuations which have occurred in the Price of Wheat on the Liverpool and Winnipeg Markets from 1929 to September, 1937 and Some Observations upon the Various Factors Which Tend to Influence and to Govern Wheat Prices" by Major H. G. L. Strange.
601. Submission by Mr. Wilfrid Metcalfe.
602. Submission by Mr. James A. Morton.
603. Submission by Mr. William R. Doyle.
604. Submission by Mr. James Arthur Ross.
605. Chart showing five centuries of wheat prices, 1400 to date.
606. Copy of letter dated October 1, 1937, from Mr. J. B. Rutherford of the Dominion Bureau of Statistics to Major H. G. L. Strange, with tables showing cash income per farm and total cash income from the sale of principal farm products, calendar years 1926 to 1936, Manitoba, Saskatchewan and Alberta.
607. Submission by the Board of Grain Commissioners for Canada *re* John Glossop.
608. Copy of a letter dated September 16, 1929 to the Board of Grain Commissioners from R. Newton, Secretary of the Associate Committee on Grain Research, *re* drying of grain.
609. Circular No. 4 of the Board of Grain Commissioners to all licensees, public and semi-public terminal elevators *re* mixture of tough grain with straight grades.
610. Copy of Regulation No. 8, 1930, of the Board of Grain Commissioners *re* inspection and grading of grain after treatment.
611. Copy of Regulation No. 44, 1935, of the Board of Grain Commissioners *re* drying of grain.
612. Copy of Regulation No. 1, 1930, of the Board of Grain Commissioners *re* registration and cancellation of terminal elevator warehouse receipts.
613. Copy of Board of Grain Commissioners' original documents of annual audit of McCabe Grain Company's elevator (Bin No. 112) at Port Arthur.
614. Statement by Board of Grain Commissioners of handlings of wheat at Fort William-Port Arthur terminal elevators, showing comparative shortages and overages in mixing and non-mixing grades.
615. Submission by Mr. F. A. Sirett.
616. Map of Manitoba showing territory covered by Mr. Vincent Poloway's survey.
617. Statement showing summary of original purchases and sales of wheat options for customers' accounts, Saskatchewan Pool Elevators, 1931-32 to 1936-37, inclusive.
618. Statement showing analysis of customers' option accounts, August 1, 1931 to July 31, 1937, Saskatchewan Pool Elevators.
619. Chart showing Winnipeg and Liverpool spreads, June and July, 1933, also amounts bought for and sold by the stabilization agency. Statement showing prices of Liverpool futures and No. 1 Northern cash Winnipeg in store Fort William for June and July, 1933.
620. Wheat Studies, Vol. VII, No. 8, July, 1931, containing article "Financial Results of the Speculative Holding of Wheat".
621. Submission by the Board of Grain Commissioners for Canada to the Royal Grain Inquiry Commission *re* "Grading by Protein".
622. Copies of correspondence between the Board of Grain Commissioners and the National Research Council, Ottawa.
623. Submission by Dr. W. F. Geddes "The Quality of Western Canadian Hard Red Spring Wheat in Relation to Grading and Marketing, with Particular Reference to Protein Content".
624. Copy of Saskatchewan Sessional Paper No. 72, 1937 Session, containing copies of correspondence between the Federal and Provincial Governments *re* the purchase, sale and holding of grain options.
625. Copies of correspondence between Mr. John I. McFarland and Counsel or Secretary of the Commission.
626. Copy of letter from Dr. F. Hedley Auld to Mr. John I. McFarland, dated November 8, 1934.
627. Letter from Mr. John I. McFarland to Dr. F. Hedley Auld, dated November 6, 1934.
628. Letter from Mr. George H. McIvor to Dr. F. Hedley Auld, dated November 6, 1934.
629. Copy of a letter from Dr. F. Hedley Auld to Mr. John I. McFarland, dated November 8, 1935.

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630. Letter from Mr. John I. McFarland to Dr. F. Hedley Auld, dated November 9, 1935.
631. Copy of telegram from Hon. J. G. Gardiner to Rt. Hon. R. B. Bennett, dated November 12, 1934.
632. Copy of telegram from Hon. J. G. Gardiner to Rt. Hon. R. B. Bennett, dated November 14, 1934.
633. Copy of letter from Rt. Hon. R. B. Bennett to Hon. J. G. Gardiner, dated November 20, 1934.
634. Copy of letter from Hon. J. G. Taggart to Mr. W. C. Folliott, dated July 9, 1935.
635. Letter from Mr. Geo. H. McIvor to Hon. J. G. Taggart, dated July 18, 1935.
636. Copy of letter from Hon. J. G. Taggart to Mr. John I. McFarland, dated November 14, 1935.
637. Copy of P.C. 975 of April 12, 1935.
638. Photostat copies of ledger accounts of Saskatchewan Government in wheat and oat options with Canadian Co-operative Wheat Producers, Ltd.
639. Statement showing Trading Account, 1934-35 season, Saskatchewan Government.
640. Letter from Mr. W. M. Aitken, Chief Accountant, Canadian Co-operative Wheat Producers, to Dr. F. Hedley Auld, dated June 1, 1935.
641. Copy of letter from Dr. F. Hedley Auld to Messrs. Price, Waterhouse and Company, dated June 4, 1935.
642. Copy of telegram from Dr. F. Hedley Auld to Messrs. Price, Waterhouse and Company, dated June 10, 1935.
643. Letter from Mr. W. M. Aitken to Dr. F. Hedley Auld, dated June 29, 1935.
644. Copy of letter from Dr. F. Hedley Auld to Messrs. Price, Waterhouse and Company, dated July 3, 1935.
645. Letter from Mr. W. M. Aitken to Dr. F. Hedley Auld, dated July 27, 1935.
646. Letter from Dr. F. Hedley Auld to Messrs. Price, Waterhouse and Company, dated July 29, 1935.
647. Option confirmations, 1934-35, Government of Saskatchewan and Canadian Co-operative Wheat Producers Ltd. (in possession of Mr. John R. Bunn, Regina; to be produced on request).
648. Purchase and sale accounts, 1934-35, Government of Saskatchewan and Canadian Co-operative Wheat Producers Ltd. (in possession of Mr. John R. Bunn, Regina; to be produced on request).
649. Summary of daily purchases of cash oats, 1934-35, from confirmations.
650. Statement showing oats quotations on the Winnipeg Grain Exchange, July 2 to 31, 1935.
651. Statement showing closing and average prices, oats, June and July, 1936.
652. Memoranda showing transactions since the year 1930, pertaining to the handling of grain for relief and seeding purposes in the province of Manitoba.
653. Bulletin No. 13, National Research Council, "Interim Report on Protein Content as a Factor in Grading Wheat", 1929.
654. Bulletin No. 14, National Research Council, "Report on Inquiry in Europe Regarding the Feasibility of Using Protein Content as a Factor in Grading and Marketing Canadian Wheat", 1930.
655. U.S. Department of Agriculture Miscellaneous Bulletin, No. 140, "Protein Tests for Wheat and Oil Tests for Flaxseed and Soy Beans", February, 1932.
656. Winnipeg Grain and Produce Exchange Clearing Association Member's Card for Pit-trading.
657. Winnipeg Grain and Produce Exchange Clearing Association Bought, Sold and Closing Sheets for all Wheat Futures and Cash Closing Sheet.
658. Winnipeg Grain and Produce Exchange Clearing Association Bought, Sold and Closing Sheets for Coarse Grain Futures.
659. Winnipeg Grain and Produce Exchange Clearing Association Daily Trade and Charge Sheets.
660. Winnipeg Grain and Produce Exchange Clearing Association Daily Balance Sheets Showing Net Position and Debit or Credit of Clearing Members.
661. Winnipeg Grain and Produce Exchange Clearing Association Delivery Notice, All Grains.
662. Memorandum by Dr. Sanford W. Evans *re* Evidence of Mr. Paul F. Bredt.
663. Chart showing Winnipeg and Liverpool October Futures, July 1 to October 31, 1934.
664. Memorandum of Dr. Sanford W. Evans *re* prices in 76 market days of 1929.
665. Chart showing Winnipeg and Liverpool prices and weekly shipments in July, August and September, 1929.

Exhibit
No.

666. Charts showing (a) Winnipeg cash and Liverpool futures prices, 1936-37, and (b) Winnipeg and Liverpool prices, 1935-36.
667. Resolution passed by meeting of farmers in Agricultural Hall, Waterhole, Alberta, Friday, October 22, 1937.
668. Tabulation of Tests for Protein Content 1°, 2°, 3°, wheat of Peace River District compared with Winnipeg average. (1937 crop.)
669. Copy of telegram from Mr. E. V. Bergin, President, Clairmont, Alberta, Board of Trade to Mr. E. B. Ramsay, Board of Grain Commissioners.
670. Report of the Chief Chemist to the Board of Grain Commissioners *re* the milling and baking quality of several 1937 crop Peace River wheats.
671. Submission by Mr. George E. Cathcart *re* options.
672. Submission by Professor Frank A. Knox.
673. Submission by Montreal Corn Exchange Association.
674. Copy of article in Financial Times of October 15, and additional comments by Dr. J. Ernest Lattimer.
675. Submission by Dr. Alonzo E. Taylor entitled "The Wheat Trade Problem of Canada".
676. Wheat Studies of the Food Research Institute, Vol. VII, No. 4, February, 1931, containing article "Speculation, Short Selling and the Price of Wheat" by A. E. Taylor.
677. Copy of article in Journal of the Farmers' Club entitled "The Stabilization of Wheat Prices" by E. F. Wise, C.B., M.P.
678. Report of the British Royal Commission on Food Prices, 1925, with minutes of evidence and appendices.
679. U.S. Department of Agriculture Technical Bulletin No. 535, 1936, "Wheat Requirements in Europe" by J. H. Shollenberger.
680. Book entitled "Future Trading Upon Organized Commodity Markets" by G. Wright Hoffman.
681. Form of reporting information required as at close of business, June 14, 1935, by members of Winnipeg Grain Exchange.
682. Questionnaire *re* wheat position of members of Winnipeg Grain Exchange on October 1, 1934.
683. Extension of statement *re* October 1, 1934, questionnaire (Vide Ex. 682).
684. Form of reporting information required at close of business, December 2, 1935, by members of Winnipeg Grain Exchange.
685. Submission by Mr. George S. Mathieson.
686. Pamphlet, "Corn in Industry".
687. Proceedings of the Second Dearborn Conference of Agriculture, Industry and Science, May 12, 13, and 14, 1936.
688. Pamphlet No. 1, of the North-West Grain Dealers' Association, "Farmers of Western Canada in Account with Farm Weeds".
689. Presentation No. 2 of United Grain Growers Ltd. to the Royal Grain Inquiry Commission, "Proposals for Enlarging the Market for Canadian Wheat".
690. Outline of suggestion for the establishment of a Canadian Wheat Institute, for the purpose of enlarging the market for Canadian wheat, and promoting its sale.
691. Proposals for the establishment of the Canadian Wheat Institute as a national body to conduct work in the interests of Canadian wheat.
692. The Country Guide, August, 1934, containing article, "The Canadian Wheat Institute" by Henry L. Griffin.
693. "Proposals for Enlarging the Market for Canadian Wheat" presented by United Grain Growers, Limited, to the Commission.
694. Memorandum on the Canadian Wheat Trade, prepared by United Grain Growers, Ltd., for the information of the Committees appointed by the Government of Canada in connection with the Imperial Conference, 1932.
695. Charts and tables showing daily closing barley prices, November 16, 1936 to January 15, 1937 and daily closing rye prices, June 15 to August 14, 1937.
696. Letter from Mr. J. Todd to the Commission *re* barley and Durum prices and letter from Mr. E. B. Ramsay to the Commission *re* Mr. Todd's letter.
697. U.S. Department of Agriculture file of notices to the Press *re* Hearings by the Commodity Exchange Administration.
698. Submission by Mr. A. E. Darby *re* regulation of futures markets.
699. Wheat statistics *re* storage capacity, receipts, deliveries and production.
700. Letter from Hon. E. N. Rhodes to Hon. J. G. Gardiner, dated November 2, 1934.

Exhibit
No.

- 701. Copy of P.C. 3937, of December 23, 1935.
- 702. Copy of P.C. 784, of March 31, 1936.
- 703. Commercial Intelligence Journal, Vol. LVI, No. 1718, of January 2, 1937.
- 704. Rules and Regulations of the Chicago Board of Trade.
- 705. Charter By-Laws and Permanent Resolutions of Board of Trade Clearing Corporation.
- 706. Interpretations of Rules by the Directors and Standing Committees, Chicago Board of Trade.
- 707. "Review of the Canadian Flax Situation" submitted by Mr. Liersch, Secretary-Treasurer of the Canadian Flax Association.
- 708. Further Submission by J. E. Grierson, Winnipeg.
- 709. Digest of Article by Professor Holbrook Working on "Financial Results of the Speculative Holding of Wheat."
- 710. Chart of wheat prices for five centuries, submitted by Major H. G. L. Strange.
- 711. The Canadian Journal of Economics and Political Science, Vol. III, No. 4, November, 1937, containing article "The Rehabilitation of the Prairie Wheat Economy" by G. E. Britnell.
- 712. Report of the Chief of the Commodity Exchange Administration, 1937.
- 713. Submission by Mr. Leslie D. Wilgress. (Confidential Exhibit.)
- 714. Copy of letter of September 24 from the Commission Secretary to Mr. Leslie D. Wilgress.
- 715. League of Nations Publication "Considerations on the Present Evolution of Agricultural Protectionism".

APPENDIX III (a)

MONTHLY AVERAGE CASH CLOSING PRICES OF WINNIPEG No. 1 NORTHERN WHEAT* (BASIS FORT WILLIAM-PORT ARTHUR) AND CHICAGO No. 2 RED WINTER WHEAT AND LIVERPOOL PRICES OF IMPORTED RED WHEAT

(Cents per Bushel)

Year	August	Septem- ber	October	Novem- ber	Decem- ber	January	February	March	April	May	June	July
1890-91.....	100 105	100 104	90 104	80 103	75 103	80 112	84 112	89 119	94 124	94 125	99 119	100 114
1891-92.....	100 123	100 119	94 120	92 126	91 123	87 116	82 114	84.5 114	84.5 109	84 102	79.2 104	81.2 102
1892-93.....	84 91	77 86	74 88	71 86	73 83	71 85	71 85	69 81	74 81	84 84	79 82	78 82
1893-94.....	78 79	74 80	69 78	68 73	65 78	63 76	64 74	65 71	68 70	64 67	62 64	63 65
1894-95.....	61.5 61	57 61	54 60	55.5 67	58 73	69 67	66 64	70 68	70 73	72 81	105 82	105 77
1895-96.....	79	60 72	61 74	57 75	55 75	55.5 80	64.5 83	65.5 80	66 80	64 81	61 79	59 76
1896-97.....	65 75	60 81	68.5 95	76 99	81.2 99	81 96	71 91	73 89	68 86	70 86	69 83	73 90
1897-98.....	80 110	87 115	85 110	95 109	92 109	92 108	92 118	100 114	98 128	128 157	122 128	103 96
1898-99.....	93	80	69	72	69	77	75	69	69	71	74	75
	89	84	89	89	87	86	83	79	81	88	87	82
1899-1900.....	68.5 72	68 71	70 72	69 83	65.2 81	64.5 80	65.5 87	66.7 86	67.5 93	67.7 95	69 91	84 91
1900-01.....	80.2 77	84 76	88.5 77	81 74	76 74	80.5 76	83 75	84 77	81 73	79 74	79 72	68 63
	86	91	86	87	86	89	87	87	86	86	84	82
1901-02.....	69.5 71	69.5 70	67.7 72	70 73	71 82	73 85	73 83	72.5 83	73.5 82	77.2 81	75 79	76 73
	83	81	83	84	90	90	89	89	90	92	89	91

APPENDIX III (a)—Continued
 MONTHLY AVERAGE CASH CLOSING PRICES OF WINNIPEG No. 1 NORTHERN WHEAT* (BASIS FORT WILLIAM-PORT ARTHUR) AND
 CHICAGO No. 2 RED WINTER WHEAT AND LIVERPOOL PRICES OF IMPORTED RED WHEAT
 (Cents per Bushel)

Year	August	Septem-ber	October	Novem-ber	Decem-ber	January	February	March	April	May	June	July
1902-03.....	Winnipeg..... Chicago..... Liverpool.....	75-7 71 91	69 81 86	88-5 82 85	72 76 85	71-5 75 88	70 75 90	73-7 74 90	73-7 78 89	77-2 78 90	78-7 80 91	83-2 78 89
1903-04.....	Winnipeg..... Chicago..... Liverpool.....	87-7 82 91	84-5 82 90	81-7 80 89	81-5 84 88	79 88 88	81-7 94 89	94-2 104 95	93-7 105 95	84-5 107 92	86-5 105 89	86-7 97 89
1904-05.....	Winnipeg..... Chicago..... Liverpool.....	96-3 101 90	103 110 —	100-5 119 —	97-3 116 —	91-5 — —	98 120 —	97 115 101	92 107 99	88-2 92 97	93 104 —	105-5 90 —
1905-06.....	Winnipeg..... Chicago..... Liverpool.....	101 85 —	78-5 85 94	77-6 88 96	77-9 87 97	75-6 — 96	76 88 103	74-5 82 104	77 87 99	80 89 95	81-6 86 95	79-9 78 96
1906-07.....	Winnipeg..... Chicago..... Liverpool.....	75-5 73 92	72-8 72 91	75-8 74 91	75-3 74 90	73 74 90	72-9 74 89	74-8 77 92	77 79 92	86-8 93 98	88 95 104	92-3 92 104
1907-08.....	Winnipeg..... Chicago..... Liverpool.....	91-7 87 105	101-6 97 111	109-3 101 114	99-9 95 112	103-3 99 113	106-8 101 116	108-8 98 104	101-1 95 105	112-2 103 109	105 92 108	103-8 92 109
1908-09.....	Winnipeg..... Chicago..... Liverpool.....	105-8 86 108	100-8 100 111	98-5 101 112	101-1 106 116	98-6 106 116	99-3 107 116	110-3 122 123	110-8 123 132	124-5 133 138	130-8 140 134	127-8 110 137
1909-10.....	Winnipeg..... Chicago..... Liverpool.....	107 104 130	97-8 107 110	96-9 120 115	97-7 118 121	98-8 125 121	103-3 126 124	103-9 122 121	102 111 118	94-2 111 110	94-5 101 104	109 107 108
1910-11.....	Winnipeg..... Chicago..... Liverpool.....	107-4 102 115	101-9 99 112	95-9 95 108	91-8 93 104	90-3 94 104	93-8 94 107	89-7 91 —	90-6 90 —	94-8 96 103	97-2 96 104	96-2 86 104
1911-12.....	Winnipeg..... Chicago..... Liverpool.....	98-8 90 104	100-3 83 107	100-6 100 108	97-5 96 105	93-5 96 107	95-4 97 111	98-6 103 120	102-4 109 123	104-2 116 123	106-7 110 122	106-7 105 124

APPENDIX III (a)—Concluded

MONTHLY AVERAGE CASH CLOSING PRICES OF WINNIPEG No. 1 NORTHERN WHEAT* (BASIS FORT WILLIAM-PORT ARTHUR) AND CHICAGO No. 2 RED WINTER WHEAT AND LIVERPOOL PRICES OF IMPORTED RED WHEAT

(Cents per Bushel)

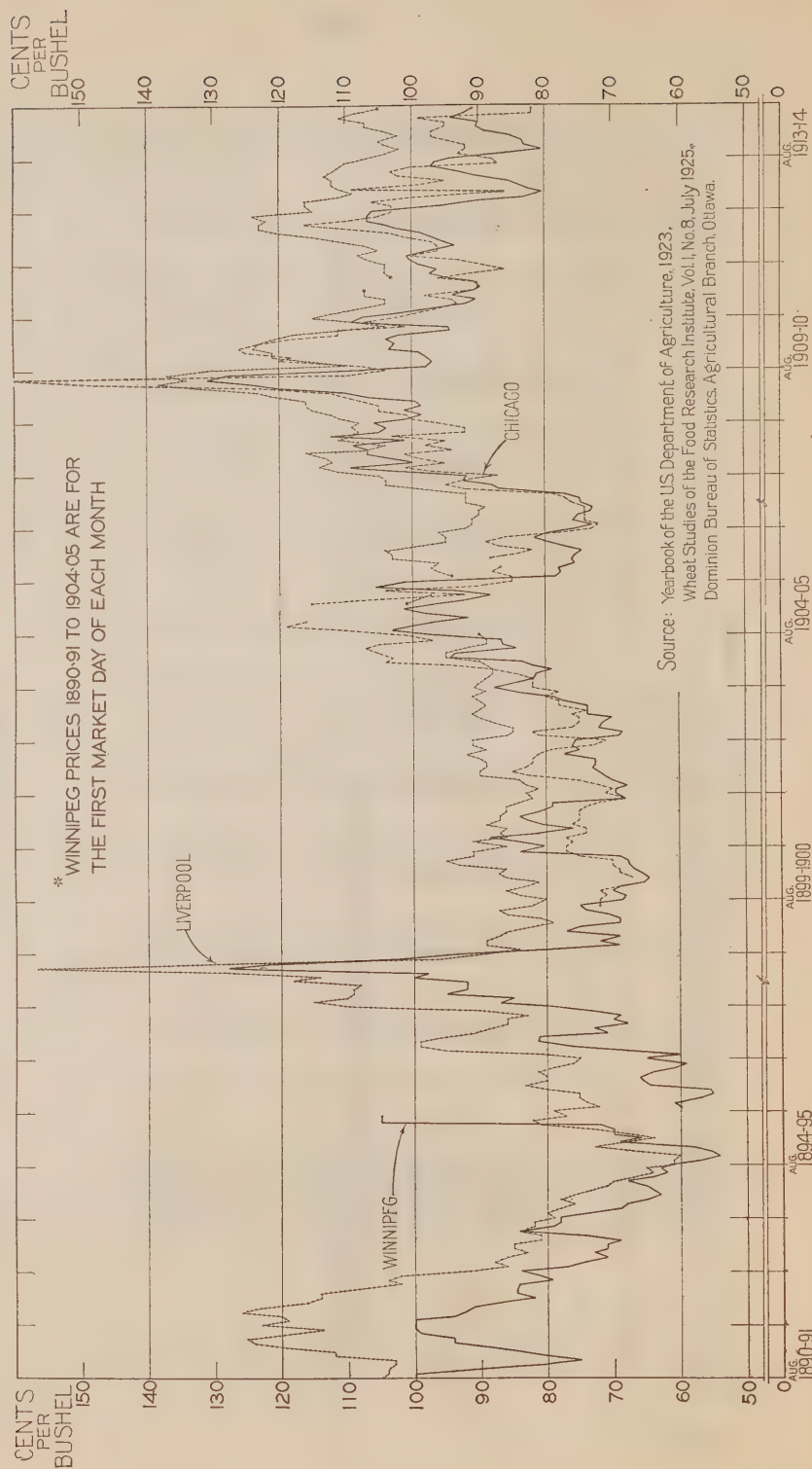
Year	August	September	October	November	December	January	February	March	April	May	June	July	
1912-13.....	Winnipeg..... Chicago..... Liverpool.....	106.1 103 115	95.4 103 116	90.4 106 116	83.3 99 111	80.4 86 109	82.5 109 111	84.1 99 112	85.4 95 112	90.4 102 113	93.2 103 112	97.1 100 111	96.7 87 110
1913-14.....	Winnipeg..... Chicago..... Liverpool.....	94.3 88 107	86.2 93 104	80.5 92 102	83.1 92 104	83.4 94 105	85.4 97 102	89 97 104	90.2 95 107	90.1 95 107	94 99 111	92.2 82 109	91 82 105

*Winnipeg prices 1930-91 to 1904-05 are for the first market day of each month.

Source: Yearbook of the U. S. Department of Agriculture, 1923. Wheat Studies of the Food Research Institute, Vol. 1, No. 8, July, 1925. Dominion Bureau of Statistics, Agricultural Branch, Ottawa.

APPENDIX III (b)

MONTHLY AVERAGE CASH CLOSING PRICES OF WINNIPEG NO1 NORTHERN WHEAT (BASS FORT WILLIAM-PORT ARTHUR) AND CHICAGO NO2 RED WINTER WHEAT AND LIVERPOOL PRICES OF IMPORTED RED WHEAT



Source: Yearbook of the U.S. Department of Agriculture, 1923.
Wheat Studies of the Food Research Institute, Vol. I, No. 8, July 1925.
Dominion Bureau of Statistics, Agricultural Branch, Ottawa.

APPENDIX IV
AVERAGE MONTHLY PRICES OF CANADIAN AND OTHER WHEATS IN BRITISH AND DOMESTIC MARKETS, AND
AVERAGE PRICE SPREAD*
(U.S. cents per bushel)

Month	BRITISH PRICES <i>a</i>			Domestic (Gazette)	DOMESTIC PRICES <i>b</i>		PRICE SPREAD	
	No. 1 Manitoba	No. 3 Manitoba	Australian <i>c</i>		Winnipeg No. 1 Manitoba	Melbourne	No. 1 Manitoba	Australian <i>d</i>
August.....	132.4	123.5	125.6 (122.9)	119.6	115.6	100.0	16.8	22.9
September.....	126.0	118.2	122.6 (119.8)	105.3	106.7	98.5	19.3	21.3
October.....	124.6	117.2	119.8 (118.7)	105.1	103.9	96.8	20.7	21.9
November.....	125.2	117.1	119.9 (119.8)	106.6	104.2	95.9	21.0	23.9
December.....	128.1	120.2	122.9 (122.3)	106.4	103.8	95.5	24.3	26.8
January.....	129.0	121.8	122.4 (121.5)	107.7	106.1	95.3	22.9	26.2
February.....	131.3	122.8	121.2 (119.0)	107.4	108.1	93.4	23.2	25.6
March.....	128.9	119.8	119.8 (117.6)	107.4	107.4	92.4	21.5	25.2
April.....	128.0	119.6	121.3 (119.3)	109.5	108.9	94.2	19.1	25.1
May.....	128.1	120.2	123.2 (120.8)	115.8	110.5	95.8	17.6	25.0
June.....	125.4	117.3	120.4 (118.8)	117.6	108.9	94.3	16.5	24.5
July.....	131.2	122.8	122.2 (120.4)	119.4	114.8	96.6	16.4	23.8
August.....	130.1	122.8	123.8 (121.0)	117.7	112.6	98.7	17.5	22.3

*Sixteen-year averages, 1921-22 to 1936-37, except as otherwise noted.

a For imported wheats, sellers quotations, c.i.f. parcels on Tuesdays, from Broomhall's Corn Trade News, with missing quotations supplied by estimation (see p. 45); for domestic wheat, weekly averages, from the Agricultural Market Report; conversions at current rates of exchange on cable transfers.

b Winnipeg prices from the Canadian Grain Trade Year Book and the Monthly Review of the Wheat Situation. Melbourne prices through July, 1929, furnished by John Darling and Son, Melbourne, later months from Wheat and Grain Review.

c Figures in parentheses are 15-year averages, 1922-23 to 1936-37.

d Fifteen-year averages 1922-23 to 1936-37.

Source: Wheat Studies of the Food Research Institute, Vol. XIV, No. 2, October, 1937.

APPENDIX V (a)

SPREADS BETWEEN MONTHLY HIGH AND LOW WHOLESALE PRICES OF FARM PRODUCTS EXPRESSED AS A
PERCENTAGE OF ANNUAL AVERAGE PRICES, 1929-1937
(Per Cent)

Item	1929	1930	1931	1932	1933	1934	1935	1936	1937
Wheat No. 3 Manitoba Northern (Fort William- Port Arthur basis).....	35.6	84.0	26.7	36.4	67.7	31.5	15.0	50.2	23.4
Steers, good and choice at Toronto.....	25.9	43.8	24.1	37.4	23.7	23.0	25.7	20.8	37.5
Hogs, bacon at Toronto.....	29.2	29.5	71.6	27.5	55.8	20.7	21.5	19.5	26.6
Butter, No. 1 creamery prints at Montreal.....	16.1	31.8	46.2	23.8	27.5	44.0	23.7	24.8	24.3
Cheese, old, large, at Montreal.....	3.6	11.4	13.3	11.7	12.7	13.0	13.6	17.6	18.8
Hay, timothy, No. 2, good No. 2, at Toronto.....	12.2	12.6	19.6	26.6	19.8	44.4	57.3	17.6	18.8
Eggs, Grade A, large, at Toronto.....	78.7	66.8	89.5	99.7	90.4	72.6	80.3	80.2	67.8

Source.—Dominion Bureau of Statistics, Internal Trade Branch, Ottawa.

APPENDIX V (b)

PERCENTAGE CHANGES IN WHOLESALE PRICE INDEX NUMBERS OF SPECIFIED FARM PRODUCTS DURING
PERIODS OF PRICE ADJUSTMENT
(Per Cent)

	Decline between	Rise between	Change between	Rise between
Wheat No. 3 Manitoba Northern.....	July, 1929 and Dec., 1932 -75	Dec., 1932 and July, 1933 +109	July, 1933 and May, 1936 -10	May, 1936 and July, 1937 +96
Steers, Toronto.....	June, 1929 and Feb., 1933 -65	Feb., 1933 and June, 1933 +27	June, 1933 and Nov., 1936 +1	Nov., 1936 and Aug., 1937 +75
Hogs, Toronto.....	Feb., 1930 and Jan., 1933 -73	Jan., 1933 and Sept., 1933 +82	Sept., 1933 and Nov., 1936 +11	Nov., 1936 and Aug., 1937 +40
Butter No. 1, Montreal.....	Dec., 1929 and June, 1932 -55	June, 1932 and April, 1933 +43	April, 1933 and May, 1936 -22	May, 1936 and Aug., 1937 +32
Cheese, Montreal.....	Feb., 1930 and May, 1932 -43	Aug., 1932 and Aug., 1933 +20	Aug., 1933 and Sept., 1935 -12	June, 1936 and July, 1937 +26
Hay, Toronto.....	Jan., 1930 and July, 1933 -46	July, 1933 and Dec., 1933 +21	Dec., 1933 and July, 1936 -13	July, 1936 and Dec., 1937 +27
Eggs, Toronto.....	Nov., 1929 and May, 1933 -73	May, 1933 and Nov., 1933 +128	Nov., 1933 and April, 1936 -49	April, 1936 and Nov., 1937 +95

Source.—Dominion Bureau of Statistics, Internal Trade Branch, Ottawa. (N.B.—Grades and qualities are the same as those in previous table.)

APPENDIX VI

SEASONAL MOVEMENT OF WHEAT PRICES

A. SUMMARY OF OPINIONS AND PREVIOUS STUDIES

The opinion is fairly widely held that wheat prices are lower in the fall months when the farmers are delivering their crop, as a result of the hedging pressure on the futures market. This opinion has been challenged by others and it is therefore pertinent to review the more recent evidence and literature and the actual prices in an attempt to throw some light on the controversy and confusion.

Mr. James A. Richardson, appearing on July 9, 1931, before the Select Standing Committee on Agriculture and Colonization in Ottawa, said:

"But as far as the idea goes that wheat is cheap in October and November and lower in the other months of the year, there is no greater fallacy in the world. . . .

"We have records in the Winnipeg Grain Exchange on the price of wheat every month in the year, and those records will show that our fall prices—when we take into account interest, storage and other charges—that our fall prices are the best in the year, year in and year out."

Mr. Sidney T. Smith, before the same Committee on July 10, was asked by Mr. Myers:

"Take any average year when wheat is offered at an average price, is it not true that at a certain time in the fall of the year when there is a big lot of wheat on hand, that prices drop a little for a while?"

Mr. SMITH: "Well, I think so."

The sole recommendation of this committee concerning wheat was:

P. 309.—"In view of the evidence given before the committee, it is recommended that the Government take whatever steps it may deem necessary to prevent a drastic decline in the price paid to producers of wheat especially during the fall months when the bulk of the crop is being marketed."

Messrs. James Stewart and F. W. Riddell in their Report to the Government of Saskatchewan on Wheat Marketing in 1921 said:

P. 10.—"The result of selling by either of these two methods is that wheat is daily offered for sale in quantities which reveal a lack of correspondence between actual supply and demand. During the early months of the season, when a large volume of wheat

is offered for sale, there is a natural decline in prices. This system of competitive selling permits of no intelligent regulation of supplies of either the farmers' wheat or that owned by the elevator companies."

The two methods of selling referred to were (1) street or track and (2) consignment.

Pp. 15-16.—"Three-quarters of the farmers' wheat is marketed during a period of three months, at the beginning of the season, when the price of wheat usually is depressed. During the remaining nine months the tendency has always been for the price of wheat to ascend to higher levels, with the result that the producer only gets the benefit of the prevailing higher prices for the remaining quarter of his season's crop. The consumer, on the other hand, pays for his flour on the basis of current prices for wheat. Therefore, if as a rule the wheat market inclines to low levels during three months of the year, and to high levels during nine months of the year, because the bulk of the producers' wheat comes on the market in the shorter period, it would be to the advantage of the consumer, as well as the producer, if the delivery of that wheat crop could be more evenly spread over the entire twelve months. If this could be done, fluctuations in prices would be lessened, and it is a well recognized fact that fluctuations in prices are detrimental either to the producer or consumer."

Evidence of Winnipeg Grain Exchange Presented to the Royal Commission to Enquire into Trading in Grain Futures (Exhibit No. 129, Pages 83-87)

The statement submitted to the Stamp Commission by the Winnipeg Grain Exchange to show the loss or gain by holding No. 1 Northern wheat from September, October, November or December and selling it on the following May 1 covered the 10 pre-war years 1904-05 to 1913-14 and the ten post-war years 1920-21 to 1929-30.

Interest was charged at 7 per cent and elevator charges at $\frac{1}{30}$ cent per day. The average charges were:

	Pre-war (cents per bushel)	Post-war (cents per bushel)
September to May 1	10.8	13.0
October to May 1	9.3	10.9
November to May 1	7.7	9.1
December to May 1	6.1	7.2

With full allowance for carrying charges, the average net losses per year were as follows:—

	Pre-war (cents per bushel)	Post-war (cents per bushel)
September to May 1	8.39	17.47
October to May 1	5.8	7.59
November to May 1	2.39	4.17
December to May 1	0.72 (gain)	2.14

In all cases, except the pre-war December to May 1 holding, the carrying charges were greater than the advance in prices. With no allowance for carrying charges, the increases in prices were as follows:

	Pre-war (cents per bushel)	Post-war (cents per bushel)
September to May 1	2.4	4.5 (loss)
October to May 1	3.5	3.3
November to May 1	5.3	4.9
December to May 1	6.8	5.1

In all cases, except the post-war September to May 1 holding, there was an advance in prices. In the exception mentioned, there was a decline in prices without consideration of carrying charges.

The pre-war period used may be fairly said to be representative, but not the post-war period, 1920-21 to 1929-30. In this latter period, two years 1920-21 and 1929-30 over-rule all the others, being periods of unusual price decline. In examination, Sir Josiah Stamp raised this question with regard to 1920-21, when the fall in world prices was general and abnormal. (See pages 154-5, "Evidence and Proceedings before the Commission to Inquire into Grain Futures," Exhibit No. 142).

The same applies to 1929-30. The effect of including these two years is that the period chosen underwent a net price decline of \$1.67½ per bushel (from \$2.73½, the average cash price in September, 1920, to \$1.06½ on May 1, 1930) which vitiates any conclusions drawn. If 1920-21 and 1929-30 are excluded, there remains an eight-year period with a net price decline of only 27½ cents from September, 1921, to May 1, 1929, or a net price rise averaging 7½ cents from the other autumn months of 1921 to May 1, 1929. For this period, on the basis adopted in the statement in question, the results would be as follows:

	Allowing for carrying charges (cents per bushel)	Without carrying charges (cents per bushel)
September to May 1	-1.25	+11.11
October to May 1	+4.13	+14.48
November to May 1	+3.36	+12.19
December to May 1	+4.50	+11.53

For that period of eight years, on the basis adopted, there would thus have been a gain from holding wheat until May 1, except in the case of September, if full commercial carrying charges were paid. The gain is of course much greater if carrying charges are not paid, and for farmers holding wheat on their farms, even if allowance is made for the cost of insurance and financing, but without paying the elevator storage charges of 1 cent per bushel per month, the gain would have been substantial.

"Price Effects of Canadian Wheat Marketing," by Dr. Holbrook Working in Wheat Studies, Vol. XIV, No. 2, October, 1937.

For his analysis of seasonal price variations, Dr. Working used the sixteen-year period, 1921-22 to 1936-37. The monthly average prices of No. 1 Northern were given in U.S. cents per bushel as follows:

August	115.6 (high)
September	106.7
October	103.9
November	104.2
December	103.8 (low)
January	106.1
February	108.1
March	107.4
April	108.9
May	110.5
June	108.9
July	114.8

The conclusions expressed regarding this series are as follows:

P. 38.—"For the postwar years from 1921-22 there appears clearly to have been a tendency for prices of spot wheat in Canada to be at their lowest during two or three months after harvest and then to rise progressively, though somewhat irregularly, to a maximum shortly before the next harvest. Between the three months (October-December) for which prices averaged lowest over sixteen years and the three (June-August) for which they averaged highest, the price difference has been a little over 7 cents. If this difference be supposed representative of a general tendency for such a seasonal variation to recur year after year, there may arise the question whether such a range of variation is excessive. To this no answer is here attempted. Instead there are presented, to contribute perspective for judgments, certain comparable data on seasonal average prices of other wheats."

P. 38.—"Toward one extreme stand prices of Australian wheat, with an average seasonal variation less than that of Canadian wheat and an average course very peculiarly related to the timing of the harvest. Toward another extreme stand prices of British domestic wheat, with an average seasonal variation greater than that of Canadian wheat despite the relatively moderate variation in rate of marketing of British wheat, and an average course suggesting that the system under which the wheat is marketed rather imperfectly meets the very modest requirements placed upon it."

P. 39.—"Pursuing the inquiry further, we employ in the subsequent sections of the study a still more refined and searching method of analysis. From this there emerge evidences of price effects, that seem legitimately attributable to variations in the rate of farm marketing. The effects are small—indeed, for the most part they are barely within the powers of this refined analysis to detect. Perhaps the results are significant chiefly as a demonstration that for most purposes the price effects of variations in the rate of marketing may be regarded as negligible. The principal effects among those noted seem only indirectly related to the rate of country marketing. The Winnipeg price tends to decline relative to Liverpool early in the marketing season under the pressure of

adjustments necessary to permit a rapid export movement. The occurrence of such price adjustments is perhaps not an indication that the rapid country marketing leads to undue price depression and an excessive rate of export; but rather that the Winnipeg price tends to be somewhat too high at the beginning of the season, and to fall into an appropriate relation to Liverpool only as the requirements of the situation are clarified in the course of meeting them."

Dr. Working points out in the course of his analysis that, during most of the years covered, organizations and measures that had the effect of relieving hedging pressure were operating. These were the Wheat Pools, Stabilization operations and the Canadian Wheat Board. Further Dr. Working had no information on the technical conditions of the Winnipeg futures market where the bulk of the hedging is done.

"Seasonal Tendencies in Wheat Futures Prices," by H. S. Irwin, United States Department of Agriculture, Grain Futures Administration, January, 1936. (Exhibit No. 538).

This study relates to the United States and to futures prices and is mainly pertinent in its finding of an "irregular but well-defined tendency toward two cycles per 12 months," but further:

"These cycles are occasioned only indirectly, if at all, by fundamental conditions such as the balance between demand and supply, the rate of marketing and kindred factors. They are governed in the main by what may be termed broadly the 'technical conditions' of the market, including the degree of public participation and the way in which the numerous small traders enter and leave the market."

Dr. Working's study of Canadian prices would have been more satisfactory if he could have secured such technical data on the Winnipeg market.

B. SEASONAL MOVEMENT OF WINNIPEG PRICES

This memorandum embodies the results of a study of Winnipeg cash and futures wheat prices over a period of years long enough to permit of drawing conclusions from long-term averages, and from the number of years in which certain trends are apparent. All figures given are monthly averages of daily closing prices, basis No. 1 Northern in store Fort William, whether cash wheat or wheat for delivery in a future month, as the case may be. The examination is directed to the existence and extent of seasonal tendencies. The period in question covers, in general, the fifteen crop years 1922-23 to 1936-37 inclusive, commencing with July, 1922, and carrying on through August, 1937. It is considered that over the period as a whole, non-seasonal influences roughly cancel out. Prices in July and August, 1922, were not greatly different from those in July and August, 1937.

It may be suggested that during this post-war period the futures market at Winnipeg has not functioned freely and unrestrictedly, owing to the operations of the Pool, the stabilization measures conducted by Mr. McFarland, and the Canadian Wheat Board established in 1935. The effect of these three agencies, each in its own time, was undoubtedly to restrict the amount of physical wheat requiring to be hedged in the futures market, and therefore to lessen the so-called selling "pressure" below what it would otherwise have been, and to that extent, it might be argued, seasonal tendencies have been understated, particularly the tendency to lower prices in the autumn than in the summer. Whether such view is correct cannot be decided here. The question depends on the general problem whether mere "hedging pressure," as distinct from the known size of the crop and world conditions generally, has any effect on prices at all. Until the requisite facts as to the time, nature, and specific effect of hedging sales, and of the actual breadth and liquidity of the Winnipeg market and the nature of the activities of those who buy and sell there are available, this problem must be left to rival schools of opinion.

TABLE 1.—AVERAGE PRICES 1922-23 TO 1936-37, BY MONTHS (a)
(Cents per bushel)

	Cash Wheat 1922-36	October Future (b) 1922-36	December Future (c) 1922-36	May Future 1922-36	July Future 1922-36
July.....	113 $\frac{3}{4}$	—	107 $\frac{7}{8}$	—	—
August.....	112	106 $\frac{1}{2}$	106 $\frac{3}{4}$	(d)	—
September.....	104 $\frac{5}{8}$	101 $\frac{1}{2}$	101 $\frac{1}{2}$	105 $\frac{1}{2}$	—
October.....	103 $\frac{7}{8}$	102 $\frac{1}{2}$	101 $\frac{1}{2}$	105 $\frac{1}{2}$	—
November.....	104 $\frac{5}{8}$	—	102	105 $\frac{1}{2}$	105 $\frac{1}{2}$
December.....	104 $\frac{1}{2}$	—	104 $\frac{1}{2}$	106 $\frac{1}{2}$	106 $\frac{1}{2}$
	1923-37	1923-37		1923-37	1923-37
January.....	106 $\frac{5}{8}$	—	—	108 $\frac{7}{8}$	108 $\frac{1}{2}$
February.....	107 $\frac{3}{8}$	—	—	109 $\frac{1}{2}$	109 $\frac{1}{2}$
March.....	106 $\frac{1}{2}$	—	—	107	107 $\frac{1}{2}$
April.....	107 $\frac{5}{8}$	—	—	107 $\frac{1}{2}$	107 $\frac{1}{2}$
May.....	109 $\frac{3}{8}$	105 $\frac{1}{2}$	—	108 $\frac{1}{2}$	108 $\frac{1}{2}$
June.....	108 $\frac{1}{2}$	104 $\frac{1}{2}$	—	—	107 $\frac{1}{2}$
July.....	114	109 $\frac{1}{2}$	—	—	113 $\frac{1}{2}$
August.....	112 $\frac{7}{8}$	107 $\frac{1}{2}$	—	—	—
September.....	—	102 $\frac{1}{2}$	—	—	—
October.....	—	103 $\frac{3}{8}$	—	—	—

(a) Direct comparison cannot be made between futures and cash wheat prices as shown in the table, as the periods covered are not quite identical—(see notes below). What is shown is the course of each separate price series. The comparison between the various prices is made in the text below.

(b) Average October futures prices are first shown for the autumn months of the full 15-year period 1922-36. The course of prices is then shown during summer and autumn for the period 1923-37, excluding 1935 when trading in the October future did not commence until August 16th; this series commences with May, since the October future was not traded earlier than May in 1923; in the other years the course of the October future prior to May was very similar to that of the July future;

(c) Excluding 1935, in which year there was no trading in the December future until August 16th;

(d) Trading in the May future usually commences in August, but this was not the case in 1935. For the fourteen years 1922-34 and 1936, the average in August was 111, and in September 106 $\frac{3}{4}$, indicating that the May future is also affected by the autumn slump.

Cash Wheat Prices

Considering only cash wheat, for the moment, Table 1 indicates a marked price decline in the period after harvest, that is, in the months of September to December when about 75 per cent of the western wheat crop is delivered to country elevators or put on rail for shipment to terminal elevators, followed by higher prices gradually rising throughout the rest of the year and then falling again when the new crop is harvested. According to Table 1, the year may be divided into four periods, namely, the delivery period when prices are, on the average, very steady and considerably lower than the preceding summer; the four months January to April when internal navigation in the Great Lakes system is closed and prices are somewhat higher than in the autumn, but quite steady throughout the period; May and June, when a further rise is evident; and the summer months July and August when there is a definitely higher level of prices. These are shown in Table 2.

TABLE 2.—CASH WHEAT PRICES, 1922-23 TO 1936-37

	(Cents per bushel)
1922-36 Average July-August	112 $\frac{3}{8}$
1922-36 Average September to December	104 $\frac{3}{8}$
1923-37 Average January to April	107
1923-37 Average May to June	108 $\frac{1}{2}$
1923-37 Average July to August	113 $\frac{1}{2}$

Even over a period of fifteen years, a margin of as much as 2 cents cannot be regarded as necessarily significant. For instance, of the rise of 2 $\frac{3}{8}$ cents in January as compared with December (see Table 1), over half is accounted for by a rise of 23 $\frac{1}{2}$ cents in one year, 1924-25. Two points of significance do, however, emerge from Tables 1 and 2, namely, the decline in the autumn, and the rise to the following July. Such movements accord with what would be expected, in view of the cost of carrying wheat in storage from the time it is delivered by the producer until it goes into domestic consumption or export. The rise from autumn to the following spring is no greater than such cost, nor in fact is the total rise from autumn to the following July, although the actual period of the major part of such rise, namely, from June to July, according to Table 1, would not of itself justify, on a cost basis, the magnitude of the rise at that time. As discussed below, however, the period from January to July cannot be treated as a whole. The rise during this period is not the same every year in which there is such a rise, but tends to be concentrated either in (or just prior to) May or in July, a fact which is clouded by taking averages for the whole fifteen-year period.

The decline from summer to autumn is likewise in accord with the factor of carrying costs. Cash wheat available in July and August is old crop, and on the long-term average, it would be expected that its price would reflect carrying costs, whereas in the September-December period the price is determined by the new crop before carrying costs have been in-

curred. The average decline in the September-December period as compared with the previous July and August was $8\frac{1}{4}$ cents (Table 2). This decline occurred in 12 of the 15 years, and in 10 of these years it was followed by rising prices later in the crop year; in the other two it was followed by a further decline. In two years there was a rise in the autumn followed by a further rise; the first occasion was 1924-25 when there was a strong speculative movement reaching its peak in January and February; the other was 1936-37 in which year the autumn came in the middle of a prolonged upward movement. In only one year (1935-36) were autumn prices higher than both the preceding summer and the succeeding spring.

Almost the whole of this autumn decline occurs from August to September, the average amount being $7\frac{3}{8}$ cents (Table 1). This movement occurred every year in the period except 1935 (September higher than August by $5\frac{3}{4}$ cents), and 1936 ($1\frac{3}{8}$ cents).

The rise after December likewise occurred with such frequency as to justify the inference that such a movement represents the normal seasonal trend. The fact of the trend is explained by carrying charges, but the measure of the rise and the time of its occurrence seem to depend in part on other factors, discussed in more detail below in connection with May and July futures. The average in January-April was $2\frac{5}{8}$ cents higher than in the preceding September-December. Of more significance, this rise took place in eleven of the fifteen years, the exceptions being 1923-24 (in which a substantial rise took place after April), 1929-30 and 1930-31 during the prolonged world price decline, and 1935-36. If comparison be made between September-December and the following May-August the average rise was $7\frac{1}{4}$ cents; the rise occurred in eleven of the fifteen years, the exceptions being 1927-28, 1929-30, 1930-31 and 1931-32.

Futures Prices

So far as cash wheat prices considered by themselves were concerned, the two basic movements, and in general their magnitude, could be explained by the influence of carrying costs. Facts and theory correspond. But the exact amount of carrying charges so far as they influence cash prices cannot be measured, and the possibility of other influences still exists. When futures prices are examined, it is apparent that such other influences do contribute to the price movements discussed. Theoretically, a perfectly-functioning futures market should not reveal seasonal movements in long-term average prices. Over a sufficient length of time, the course of any one future should indicate a tendency to be horizontal, lacking any special influence, for cash wheat carrying costs do not affect futures prices in one month more than in another. On examination, however, it appears that Winnipeg futures prices follow much the same general trend as cash prices, though the magnitude of fluctuations is somewhat smaller.

First, the autumn slump occurs in all futures traded during that period. In the fifteen years 1922-36 the decline from August to September was $7\frac{3}{8}$ cents for cash wheat, $4\frac{1}{2}$ for the October future, and $4\frac{1}{4}$ cents for the

December future. Omitting 1935, when trading in the October and December futures did not commence until August 16, the average declines were respectively, for a fourteen-year period, $8\frac{3}{8}$, $5\frac{1}{4}$ and 5 cents, as well as a decline of $4\frac{5}{8}$ cents in the May future. This decline occurred every year of the fourteen except 1924 and 1936 in the case of the futures (also 1928, May future only) as compared with every year except 1924 for cash wheat (as well, of course, as the fifteenth year, 1935).

This change from August to September comprised almost the entire autumn decline. Thus, comparing the July-August average with that of September-October for the fourteen years, the declines were: cash wheat $9\frac{1}{2}$ cents; October future $5\frac{1}{2}$ cents; December future $5\frac{3}{4}$ cents. These declines occurred every year except 1924 and 1936 in the case of the futures; for cash wheat the exceptions were 1924, 1931 and 1936.

Further examination discloses, however, that these declines in futures prices really consist of recessions from unduly high prices created by speculative bull movements in the preceding spring or summer. It is not that some active force influences prices down in the autumn, but rather that the active influence of "crop-scare buying," as it is described in studies published by the U.S.D.A. Grain Futures Administration, is removed. This influence usually makes itself felt in the Winnipeg market in July, the exceptions being chiefly years in which a substantial rise occurs in May, usually in sympathy with a similar movement at Chicago, where the condition of the winter wheat crop affects the market about two months earlier than that of the Canadian spring wheat crop. In either case, the recession from the high prices so established usually occurs, at Winnipeg, in September—that is, if the bull movement went too far and actual conditions in the autumn do not justify the prices so established.

The existence of this spring or summer—sometimes both—speculative movement at Chicago is well attested, and it seems that the same phenomenon occurs at Winnipeg. It is significant that the October future, which is related to the new crop, follows the same general trend as the May and July futures.

The fifteen-year trend of the May and July futures and cash wheat may be seen in Table 1. Table 3 recasts these figures into a form better suited for comparing the May and July rises of the three prices:

TABLE 3.—SPRING AND SUMMER PRICE RISE 1922-23 TO 1936-37

	Cash Wheat	May Future	July Future
	(cents per bushel)		
November-December average.....	104 $\frac{1}{2}$	106 $\frac{1}{2}$	106 $\frac{3}{4}$
January-March average.....	106 $\frac{1}{2}$	108 $\frac{1}{2}$	108 $\frac{3}{4}$
April.....	107 $\frac{3}{8}$	107	107 $\frac{3}{4}$
May.....	109 $\frac{3}{8}$	108 $\frac{1}{2}$	108 $\frac{3}{4}$
June.....	108 $\frac{1}{2}$	—	107 $\frac{3}{4}$
July.....	114	—	113 $\frac{3}{4}$

From the average prices over the period as a whole, it would appear that the rise was concentrated in July, being chiefly a rise from June to July, but further analysis reveals that the rise may occur either during (or just prior to) May or in July.

Thus cash prices in July were higher than the average of the previous November-December in nine years (average rise $23\frac{3}{4}$ cents) and the same was true of the July future (average rise $21\frac{3}{8}$ cents); and of the other six years, in the case of cash wheat prices had meanwhile been higher in May in four years (average rise $9\frac{1}{8}$ over November-December) and the price had receded somewhat in July, and went on to fall further by September. The other years were 1929-30 when prices fell drastically throughout the year, and 1931-32, in both of which years cash prices fell from November-December to May, fell further by July, and further still by September. In the case of the July future, out of the six years in which July was lower, three were years in which the price in May was higher than the preceding November-December (average rise $10\frac{3}{4}$ cents); the three years in which this did not occur were 1929-30, 1930-31 and 1931-32.

The tendency therefore is for a rise in July, but if not, the probability is that there has been a rise previously. The rise in May, of course, also occurs in some of the years when July is also higher than the preceding autumn. The frequency of higher prices in May is obscured by the averages for the whole period, owing chiefly to the large decline in 1929-30. The situation is that cash prices were higher in May in eleven years (average rise $10\frac{3}{4}$ cents), May future and July future in ten years (average rise $10\frac{3}{8}$ and $9\frac{3}{4}$ respectively). In 1929-30 all prices fell—in May cash prices were lower than in November-December by $27\frac{1}{2}$, May future by $34\frac{7}{8}$ and July future by $34\frac{3}{8}$. In three other years cash prices were lower, average decline $5\frac{1}{8}$; in four years (besides 1929-30) the May and July futures were lower; their declines averaging $7\frac{1}{2}$ and $7\frac{1}{4}$ respectively. In two of these four years (1929 and 1936) the July future advanced sharply in July; in the other two (1931 and 1932) it continued to decline. The October future paralleled the others very closely.

It is apparent, therefore, that in the fifteen-year period there was a definite tendency for futures prices, as well as cash prices, to appreciate significantly after December; that this rise frequently occurs as early as May and may be followed by a further rise in July; and that if the rise has not taken place by May, it will occur in July, unless a major downward movement is taking place.

Summary and Conclusions

1. There is an autumn decline, in relation to the previous summer, in both cash and futures prices, and a co-related rise which occurs chiefly in the following May or July, and sometimes in both these months.

2. Considered by themselves, cash prices do not indicate variations over the year as a whole greater than would be expected to be caused by mounting carrying charges, although the rise in prices which sometimes

occurs between May and July indicates that other influences are also at work.

3. The course of futures prices, however, gives evidence of a tendency towards at least one and sometimes two periods of pronounced speculative price rises, almost always in May and/or July, and this speculative influence also accounts for a part of the rise in cash prices.

4. The decline in all prices in the autumn appears to be chiefly a recession from previous rises; but in the case of cash prices, at least part of such recession is natural in view of the change from old crop to new crop.

APPENDIX VII

INDEX NUMBERS OF EXCHANGE RATES, 1929-1938

(Post-War Gold Parity=100)

	Argentina		Australia	Canada	Great Britain	United States
	Official	Free Rate				
1929						
January.....	99	-	99	100	100	100
February.....	99	-	99	100	100	100
March.....	99	-	99	99	100	100
April.....	99	-	99	99	100	100
May.....	99	-	99	99	100	100
June.....	99	-	99	99	100	100
July.....	99	-	99	99	100	100
August.....	99	-	99	99	100	100
September.....	99	-	99	99	100	100
October.....	99	-	99	99	100	100
November.....	97	-	99	98	100	100
December.....	96	-	99	99	100	100
Year.....	99	-	99	99	100	100
1930						
January.....	95	-	98	99	100	100
February.....	90	-	98	99	100	100
March.....	89	-	96	100	100	100
April.....	92	-	94	100	100	100
May.....	90	-	94	100	100	100
June.....	88	-	94	100	100	100
July.....	85	-	94	100	100	100
August.....	86	-	94	100	100	100
September.....	85	-	94	100	100	100
October.....	81	-	92	100	100	100
November.....	81	-	92	100	100	100
December.....	78	-	92	100	100	100
Year.....	87	-	94	100	100	100
1931						
January.....	73	-	82	100	100	100
February.....	76	-	77	100	100	100
March.....	81	-	77	100	100	100
April.....	80	-	77	100	100	100
May.....	74	-	77	100	100	100
June.....	73	-	77	100	100	100
July.....	73	-	77	100	100	100
August.....	67	-	77	100	100	100
September.....	64	-	71	96	93	100
October.....	56	-	62	89	80	100
November.....	64	-	59	89	77	100
December.....	62	-	56	83	70	100
Year.....	70	-	72	96	93	100
1932						
January.....	61	-	57	85	70	100
February.....	61	-	57	87	71	100
March.....	61	-	60	90	75	100
April.....	61	-	62	90	77	100
May.....	61	-	60	88	76	100
June.....	61	-	60	87	75	100
July.....	61	-	58	87	73	100
August.....	60	-	57	88	72	100
September.....	60	-	57	90	71	100
October.....	61	-	56	91	70	100
November.....	61	-	54	87	67	100
December.....	61	-	54	87	67	100
Year.....	61	-	57	88	72	100

INDEX NUMBERS OF EXCHANGE RATES, 1929-33—Continued

(Post-War Gold Parity=100)

	Argentina		Australia	Canada	Great Britain	United States
	Official	Free Rate				
1933						
January.....	61	—	55	88	69	100
February.....	61	—	56	83	70	100
March.....	60	—	56	83	71	100
April.....	60	—	56	81	71	96
May.....	60	—	55	75	69	85
June.....	60	—	56	73	70	82
July.....	60	—	55	68	69	72
August.....	60	—	54	69	68	73
September.....	61	—	52	66	65	68
October.....	60	—	52	66	65	67
November.....	60	—	53	63	66	63
December.....	52	47	54	64	67	64
Year.....	60	—	54	72	68	78
1934						
January.....	50	39	52	63	65	63
February.....	47	39	49	59	61	59
March.....	47	36	49	59	62	59
April.....	48	35	50	59	63	59
May.....	47	33	50	59	62	59
June.....	47	35	49	60	61	59
July.....	47	35	49	60	61	59
August.....	47	38	49	61	62	59
September.....	46	38	48	61	61	59
October.....	46	37	48	60	60	59
November.....	46	36	48	61	61	59
December.....	46	35	48	60	60	59
Year.....	47	36	49	59	61	59
1935						
January.....	46	35	48	59	59	59
February.....	46	36	47	59	59	59
March.....	44	35	46	59	58	59
April.....	45	36	47	59	59	59
May.....	45	36	47	59	59	59
June.....	45	37	48	59	60	59
July.....	46	37	48	59	60	59
August.....	46	37	48	59	60	59
September.....	46	38	48	59	60	59
October.....	46	38	48	58	60	59
November.....	46	38	48	58	60	59
December.....	46	38	48	59	60	59
Year.....	45	37	48	59	60	59
1936						
January.....	46	38	48	59	60	59
February.....	46	38	49	59	61	59
March.....	46	38	48	59	60	59
April.....	46	38	48	59	60	59
May.....	46	38	48	59	60	59
June.....	47	38	49	59	61	59
July.....	47	38	49	59	61	59
August.....	47	39	49	59	61	59
September.....	47	39	49	59	61	59
October.....	46	39	48	59	60	59
November.....	45	39	47	59	59	59
December.....	46	41	48	59	60	59
Year.....	46	39	48	59	60	59

INDEX NUMBERS OF EXCHANGE RATES, 1929-33—*Continued*

(Post-War Gold Parity=100)

	Argentina		Australia	Canada	Great Britain	United States
	Official	Free Rate				
1937						
January.....	46	42	48	59	60	59
February.....	45	42	48	59	59	59
March.....	45	42	47	59	59	59
April.....	46	42	48	59	60	59
May.....	46	42	48	59	60	59
June.....	46	42	48	59	60	59
July.....	46	42	48	59	60	59
August.....	46	42	48	59	61	59
September.....	46	42	48	59	60	59
October.....	46	41	48	59	60	59
November.....	46	41	49	59	61	59
December.....	46	41	49	59	61	59
Year.....	46	42	48	59	60	59
1938						
January.....	41	46	49	59	61	59
February.....	37	47	49	59	61	59
March.....	36	46	48	59	61	59

NOTES

Argentine Peso.—The exchange control was inaugurated in Argentina during 1931, and became gradually more inclusive until by October of that year it was practically complete. Although definite sterling ratios were established from time to time, they were not maintained for any considerable period. In March, 1933, pesos were pegged to the French franc at 14·84 francs to the peso (gold) and then in November at 12·38 francs to the gold peso. The peso was again pegged to sterling on January 19, 1934, when the purchasing rate for export bills was set at fifteen paper pesos to the pound sterling. Selling rates, particularly in the free market, have been subject to constant change since the beginning of 1934. Free Market rates on the peso were not obtained from March to November inclusive, of 1933.

Australia.—After moving to a substantial discount in terms of gold during 1930, the Australian pound was pegged to sterling in January, 1931, at the rate of 130 Australian pounds to 100 pounds sterling. This ratio was revised in December of the same year to 125 : 100, and has been held at that level ever since.

Canada.—The Canadian dollar was theoretically off the gold standard for the greater part of 1929, but the breach did not become an open one until the United Kingdom abandoned the gold standard on September 21, 1931. The maintenance of a nominal Mint price of \$20.67 per ounce for gold after this date did not alter the fact that gold could not be purchased in Canada for that price. The present gold value of our dollar is approximately 59 cents.

United Kingdom.—As already mentioned, the link between sterling and gold was severed on September 21, 1931, and has not since been re-established.

United States.—The gold standard was formally abandoned in the United States on April 19, 1933. It depreciated almost steadily from that time until January, 1934. On the 31st of that month it was revalued at 59.06 cents, measured in terms of the old gold unit which meant a Mint price for gold of \$35 per ounce.

Source: DOMINION BUREAU OF STATISTICS,
INTERNAL TRADE BRANCH,
OTTAWA, ONT.

APPENDIX VIII

WHEAT HANDLINGS AT TERMINAL ELEVATORS, FORT WILLIAM AND PORT ARTHUR, AUGUST 1, 1933 TO JULY 31, 1937
(bushels and pounds)

Grade	Stocks plus receipts	—	Shipments plus stocks	—	Surplus of shipments over receipts	Surplus of receipts over shipments	Surplus of receipts over shipments
Man. 1 Hard.....	29,500,167.20	29,550,552.20	29,574,475.40	29,574,475.40	74,308.20	50,385.00	—
Tough 1 Hard.....	50,385.00				—		—
Man. 1 Northern.....	287,906,843.49		271,439,989.40	271,558,175.10	3,583,146.00	3,102,456.00	—
Tough 1 Northern.....	3,170,641.30	271,077,485.10	68,185.30				—
Man. 2 Northern.....	114,481,720.30		115,351,111.50		869,391.20	11,385,725.30	—
Tough 2 Northern.....	12,136,025.40		750,300.10		10,516,607.20	11,015.30	10,742.20
Old Grade 2 Northern.....	618,186.30		11,134,803.50				
Tough O.G. 2 Northern.....	15,078.30	127,251,021.10	4,063.00	127,240,278.50			
Man. 3 Northern.....	44,454,603.20		49,294,492.50	49,462,803.50	4,839,889.30	5,075,666.00	235,776.30
Tough 3 Northern.....	5,243,977.00	49,698,580.20	108,311.00				
No. 4 Wheat.....	23,420,314.50		40,342,502.10	16,922,187.20		3,339,450.50	
Tough 4 Wheat.....	3,034,531.50		286,081.00			3,258,629.20	
No. 5 Wheat.....	16,917,638.00		13,682,017.40			2,428,233.20	
Tough 5 Wheat.....	3,308,294.30		20,830,081.10		8,348,891.50		
No. 6 Wheat.....	12,494,780.00		379,407.50			1,474,045.10	
Tough 6 Wheat.....	1,500,668.20		7,812,289.30			2,977,776.50	
Feed Wheat.....	10,700,068.20		40,771.40			366,455.10	
Tough Feed Wheat.....	8,407,298.50		8,209,813.30			238,777.20	
No. 5 Special.....	8,127,504.20		1,046.00			126,548.20	
Tough 5 Special.....	5,268,698.50		2,581,171.50			2,687,527.00	
No. 6 Special.....	4,261,258.10	105,541,561.00	2,803,412.30	105,435,997.30		52,473.10	105,563.30
Tough 6 Special.....	29,685.50					1,457,845.40	(25,376,642.40)
1 C.W. Garnet.....	1,934,172.40		1,366,273.00			29,685.50	
Tough 1 C.W. Garnet.....	210,946.50		56,976.10			567,899.40	
2 C.W. Garnet.....	4,468,977.00		2,296,008.00			153,970.40	
Tough 2 C.W. Garnet.....	830,307.50		145,975.30			2,172,969.00	
White Spring.....	423,481.40		343,163.40			684,332.20	
Winter Wheat.....	21,048.50		13,554.40			80,318.00	
Mixed Wheat.....	365,316.20		122,645.40			7,494.10	
All Other Wheats.....	6,279,762.30		3,227,213.20			242,670.40	
Special Bin.....	3,170,606.30	3,170,606.30	3,170,761.30	3,170,761.30	155.00	3,052,549.10	155.00
1 C.W. Amber Durum.....	18,815,585.50		23,923,263.20			—	
2 C.W. Amber Durum.....	11,835,855.10		9,792,085.00		5,107,677.30	1,741,187.10	
3 C.W. Amber Durum.....	6,371,922.30	43,814,194.00	9,881,618.30	44,217,946.55		290,107.00	403,752.55
4 C.W. Amber Durum.....	2,498,010.00		1,819,888.40			682,727.20	
All Other Durums.....	4,594,114.10		2,004,211.05			1,989,903.05	
Total.....	630,104,000.30	630,104,000.30	630,660,439.25	630,660,439.25		908,521.15	352,082.20

Source.—Board of Grain Commissioners for Canada.

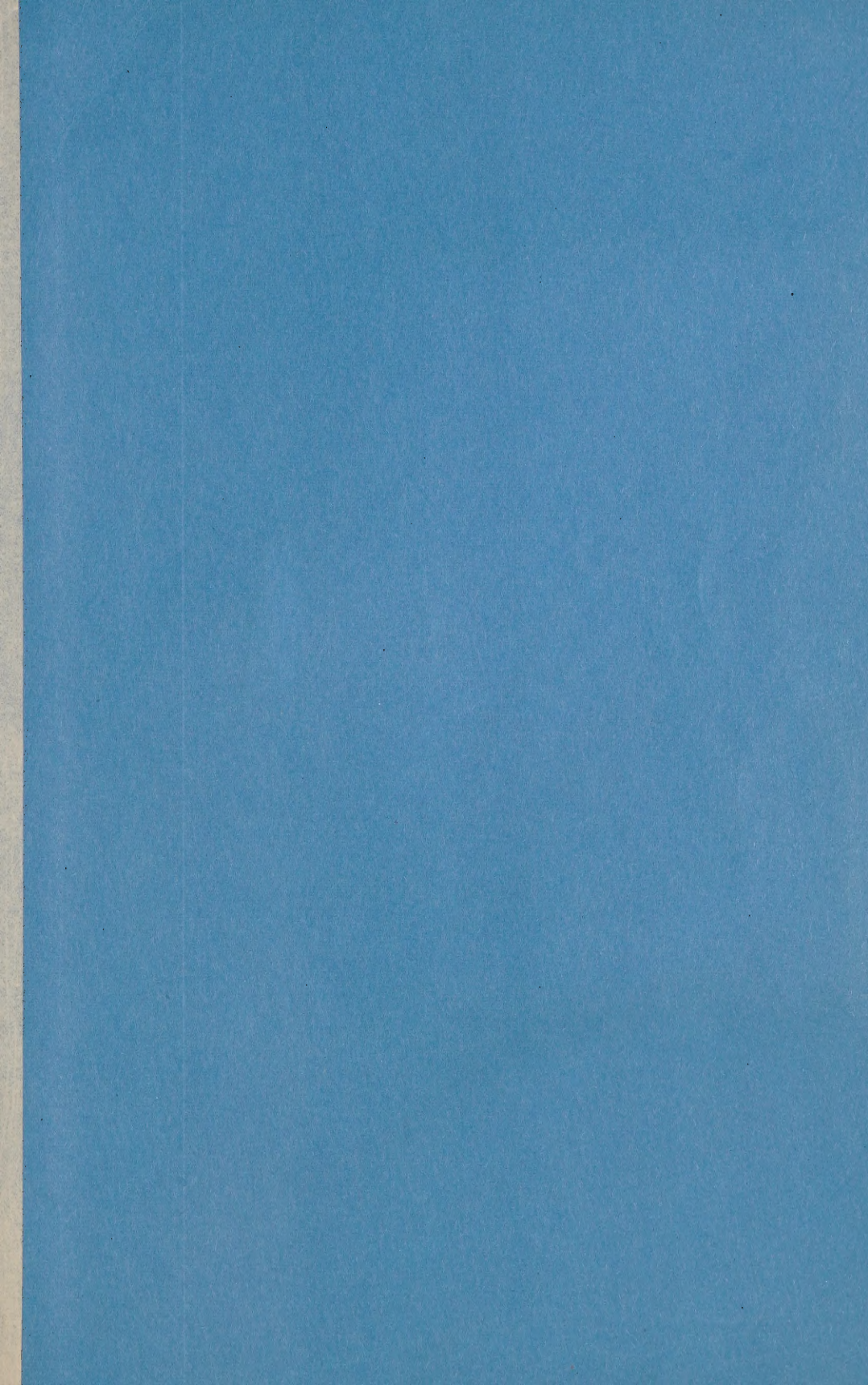
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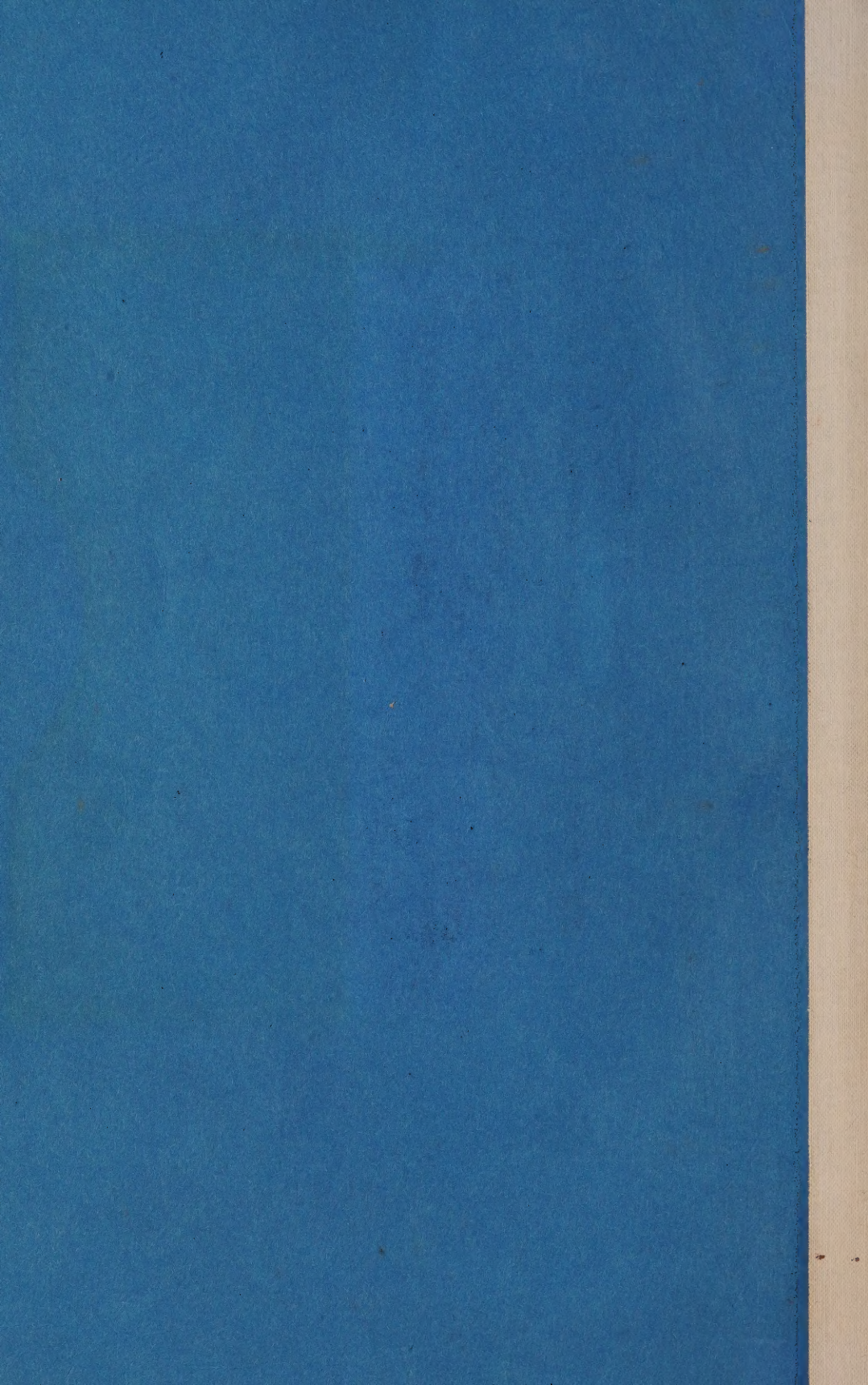
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